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| Austria | Sch. 20 | Indonesia | Rp 3100 | Philippines | Pes 20 |
| Bahrain | Din 0.650 | Israel | NS 3.50 | Portugal | Esc 100 |
| Belgium | BFr.45 | Italy | L 1600 | S. Arabia | Rls 6.00 |
| Canada | C$1.00 | Japan | Y600 | Singapore | S$ 4.10 |
| Cyprus | C£0.75 | Jordan | Fils 500 | Spain | Pta 125 |
| Denmark | DKr 9.00 | Kuwait | Fils 500 | Sri Lanka | Rup 30 |
| Egypt | E£1.50 | Lebanon | £L 50.00 | Sweden | SKr 8.80 |
| Finland | Fmk 7.00 | Luxembourg | LFr.45 | Switzerland | SFr 2.20 |
| France | FFr. 6.50 | Malaysia | Rin 4.25 | Taiwan | NT $85 |
| Germany | DM 2.20 | Mexico | Pes. 300 | Tunisia | Din 0.900 |
| Greece | Dr 80 | Morocco | Dh 6.00 | Turkey | L 350 |
| Hong Kong | HK$ 12 | Netherlands | Fl 3.00 | U.A.E. | Dh 6.50 |
| India | Rup. 15 | Norway | NKr. 7.00 | U.S.A. | $1.00 |

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# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,155 — Monday February 9 1987 — D 8523 B


**OECD urges action on Third World drug epidemic, Page 2**

World news

# Philippine army alert as truce expires

Troops in the Philippines were on a war footing as a 60-day truce with communist rebels expired, but the Government pledged continued efforts for peace.

President Corazon Aquino's administration plans to approach the communist rank-and-file to seek regional peace agreements, said the Government's chief ceasefire negotiator, Teofisto Guingona.

Both sides in the 18-year-old conflict were reported to be ready for war, but there were no immediate reports of post-ceasefire incidents. Page 2

## S. Korean protests

South Korean police said they were questioning 740 people arrested during nationwide demonstrations at the weekend but dissidents were freed from house arrest and 120,000 police taken off alert.

## Dissident freed

Dissident historian Yevgeny Antsupov has been released from detention, taking the total of Soviet political dissenters freed in the last week to 43, physicist Andrei Sakharov said in Moscow.

## Pakistan bomb blast

Three people were killed and 26 injured when a bomb exploded in a crowded bazaar in the north-west Pakistan city of Peshawar, where Afghan rebel groups fighting the Kabul government are based.

## Afghans advance

Afghan rebels reported that a 2,500-strong government and Soviet force with 300 vehicles, including tanks, had advanced towards the Pakistani border near the western city of Kandahar, in an apparent attempt to crush rebel bases.

## Tamils raid villages

Tamil rebels fleeing from advancing government troops in Sri Lanka killed 28 people when they stormed the village of Arantalawa, 125 miles east of Colombo.

## Chad forces boosted

France reinforced its troops and equipment in Chad as concern grew about a Libyan military build-up in the north. Page 2

## $1.5m ransom paid

The family of Basque industrialist Jaime Caballero paid a $1.5m ransom for his release after a two-month abduction by guerrillas, Spanish newspapers reported.

## Sino-Soviet talks

A Chinese delegation headed by Vice Foreign Minister Qian Qichen arrived in Moscow for talks starting today on China's border dispute with the Soviet Union. Page 2

## Deserter surfaces

A man claiming to be an Iranian army deserter sought refuge in Israel after swimming into the Red Sea port of Eilat from the port of Aqaba, in Jordan, three miles away.

## Hashish haul

Jordanian anti-drugs agents seized more than a tonne of hashish with a street value of $8m when inspecting a container from an East German ship which docked at Aqaba.

## Spanish clashes

Leftist demonstrators calling for the repeal of Spain's anti-terrorist law clashed with police in Barcelona. Students and workers will join forces this week to protest against the Government's policies, student leaders said.

## Space marathon bid

Two Soviet cosmonauts on board a Soyuz TM-2 spacecraft docked with the orbiting station Mir and prepared for what is expected to be the longest stay in space, breaking the endurance record of 237 days.

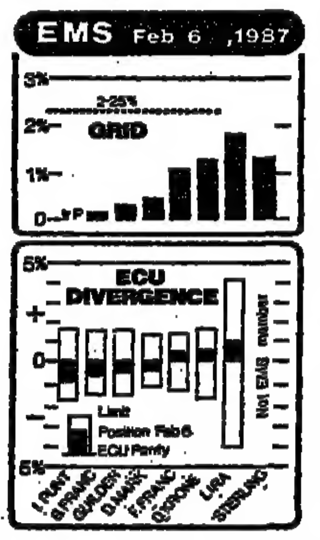
Business summary

# BA sell-off eliminates large UK investors

BRITISH AIRWAYS: The overwhelming response to the flotation of the UK carrier has resulted in institutional investors being eliminated from the public offering in Britain and small investors being allocated a fraction of the shares they sought. Page 12

GOLDMAN SACHS, Wall Street investment firm, forecasts that the UK Government, if re-elected, will have to replace its present relaxation of economic policy with tighter controls on public spending and borrowing. Page 4

EUROPEAN Monetary System: Weaker members improved last week, reflecting the dollar's improvement against the D-Mark. Better-than-expected US economic data and a widening interest rate differential encouraged investors to switch out of the D-Mark and into




the dollar. The Irish punt remained the bottom placed currency but was comfortably placed at 35 per cent of its maximum divergence compared with 49 per cent the previous week.

*The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.*

TOKYO shares closed lower in Saturday's half-day session as institutions prepared for today's listing of Nippon Telegraph and Telephone. The Nikkei market average fell 118.62 to 19,550.21.

US reacted angrily to the Japanese Government's decision to award mobile telephone licences to competing Japanese consortiums, one of which uses US equipment.

E. F. HUTTON, troubled Wall Street brokerage firm, reported a fourth-quarter loss of $133.8m. The corresponding loss in 1985 was $12.2m. Page 16

NORDBANKEN, fifth largest Swedish commercial bank, was hit by heavy loan losses which depressed profits for 1986. Page 13

FERRUZZI, Italian agri-industrial group and the country's third largest private company, is negotiating to acquire Cica, biggest Brazilian foods group. Page 18

LIFFE, London International Financial Futures Exchange, and Chicago Board of Trade, world's largest futures exchange, are expected to announce plans to establish a link between their respective US Treasury bond futures contracts. Page 16

ROVER GROUP, UK state car and truck company, is likely to secure a large part of the £350m–£400m ($525m–$600m) of financial support it is seeking for its Austin Rover volume car subsidiary. Page 5

GENOA port authority, in Italy, issued a decree replacing the leader of the dockworkers' association with a government commissioner in an attempt to end the wildcat strikes which have paralysed the port. Page 2

# Soviet Union plans to transform the management of business

BY PATRICK COCKBURN IN MOSCOW

THE SOVIET UNION has published a draft law on Soviet enterprises which will transform the way in which they are run by giving management greater rights and responsibilities.

The main theme of the law is to make each enterprise responsible for its profit or loss and to limit central planning to overall strategic decisions.

The draft law, published in all the Soviet press at the weekend for discussion, is the centrepiece of the plans of Mr Mikhail Gorbachev, the Soviet leader, to modernise the Soviet economy.

It also contains provisions to introduce democracy into Soviet factories and enterprises which have hitherto been run on very autocratic lines. The managing director would have to stand for election by the workforce every five years and other managers and foremen every two or three years.

The conversion of all Soviet industry to the new law will take until 1990 but seven ministries and 36 enterprises started to operate on the new management principles from the beginning of this year.

Mr Stepan Sitaryan, deputy head of the state planning committee (Gosplan), recently said: "In a nutshell, the new system will replace administrative orders by performance based management."

Ministries will not be able to use the profits of one enterprise to make up the losses of another.

The draft law, to be promulgated this year, is based on an experiment carried out at two enterprises last year – the Togliatti car factory and the Sumy engineering plant – which severely limits the role of central control over inputs and outputs.

Profits will be strictly divided between the enterprise, its sector of the economy and the state.

Wages will also be linked to productivity by a fixed ratio of a 0.4 per cent increase in pay for every 1 per cent rise in productivity, according to Dr Leonid Abalkin, head of the Institute of Economics in Moscow and one of the most influential proponents of economic reform.

He also said that apart from key raw materials and foodstuffs, Soviet enterprises would have significantly greater freedom in future to determine their own prices through contract negotiations.

At present, all prices are centrally fixed and inputs and outputs determined by the yearly plan targets.

Mr Mikhail Chechik, managing director of Dalenergomash, an enterprise already operating under the new principles which manufactures gas turbines in Khabarovsk in the Soviet Far East, said in an interview last week that his company's gross income had been 40 per cent more than planned, allowing large productivity bonuses. He said average wages at the plant were 450 roubles ($684) a month compared with 320 roubles on the plan.

Although some of the foremen in the plant had been elected, the introduction of democracy into Soviet industry appears to be partly motivated by Moscow's wish to break the grip of ossified middle and senior management.

# Italians sweep aside 50-year curb on new merchant banks

BY ALAN FRIEDMAN IN ROME

THE ITALIAN Government, in a move which could have far-reaching implications for the future of the country's financial system, has approved a preliminary set of rules designed to spur the growth of merchant banks.

The Government action is likely to lead to the formation of many new merchant banking concerns in the short term.

The Rome decision, which will allow commercial banks to set up merchant banking subsidiaries and take equity stakes in companies, brings to an end more than 50 years of tight restrictions on commercial banking activities in Italy.

The Bank of Italy has traditionally been cautious about allowing commercial banks to acquire shareholdings in industry because of the memory of the financial chaos of the 1930s when the country's banks were threatened by their holdings in numerous bankrupt industrial concerns.

The merchant banking reform signalled by the weekend decision comes after nearly five years of debate and uncertainty in Parliament.

The Government's inter-ministerial cabinet committee on credit has now defined the terms under which the Bank of Italy may allow the creation of new merchant banking concerns.

The move – which will also enable Italian banks to be in a better position to head off competition from foreign banks in future – marks an important turning point for Italy's commercial banks, which in recent years have become increasingly impatient as non-banks have set up and performed merchant banking activities.

The Rome Government's decision gives the central bank the immediate right to authorise commercial banks to set up merchant banking subsidiaries which may acquire equity on a temporary basis, provide corporate finance advice, organise fund raising operations and engage in other activities.

The Bank of Italy still has to decide on the criteria concerning minimal capital requirements, the limits of shareholdings which the merchant banks may acquire and other regulatory matters.

The new government move on merchant banking will speed up the process by which Mediobanca, the Milan merchant bank, has been losing its predominant role as the supreme arbiter of corporate finance in Italy.

It was also announced at the weekend that Mr Antonio Maccanico, the secretary to President Francesco Cossiga, is to be appointed chairman of Mediobanca. The bank is presently under the effective control of Mr Enrico Cuccia, a 79-year-old board member.

# Joint arms market for Europe proposed

By David Buchan in London

EUROPEAN defence ministers have been recommended to set up a single European arms market involving more competition and less government involvement in defence procurement.

This is the most striking proposal of a report on the European defence industry's competitiveness by representatives of 10 countries in the Independent European Programme Group (IEPG).

The year-long study under the chairmanship of Mr Henk Vredeling, former EEC Commissioner and Dutch Defence Minister, is now being studied and will be debated at an IEPG defence ministers' meeting in June.

In contrast to previous European arms collaboration efforts, criticised for their overlay of bureaucracy, the report urges governments to cut defence procurement staffs and to let industry do more.

The Vredeling team, which included industrialists such as Mr B Vernier-Palliez, the former chairman of Renault and Sir Arnold Hall, the former Hawker Siddeley chairman, has produced – as mandated – some concrete proposals:

- More collaborative arms contracts should be awarded on the basis of competition between rival international consortia;
- Collaborative defence contracts, including weapon development, should be at fixed prices to prevent the substantial cost overruns of the past being repeated.
- The IEPG should keep a central register of bidding opportunities open to companies in all 13 countries.
- A share of national defence research funds should be put into a

**Continued on Page 12**

Zircon disclosures, Page 2; Thatcher's deterrent, Page 11

# Jerusalem keeps options open on Beirut hostages

BY OUR MIDDLE EAST STAFF

ISRAEL yesterday restated its public refusal to consider releasing Arab prisoners in exchange for Western hostages held in Lebanon despite an offer from the leader of the mainstream Shia militia, Amal, to include a captured Israeli airman as part of a package swap.

The Israeli refusal was couched in such a way as to suggest that a deal was not out of the question as long as negotiations were conducted secretly.

In a videotaped recording delivered with a written statement to a Western newsagency yesterday morning, Mr Allan Steen told the US Government that he and three other academics from the Beirut University College who were kidnapped on January 26 would be killed unless 400 Palestinians jailed by Israel were freed by today.

"Israel cannot and will not act according to ultimatums," said Mr Shimon Peres, Foreign Minister, in response to the repeated threat by a group calling itself "Islamic Jihad (holy war) for the Liberation of Palestine."

Mr Peres told Isreali Army Radio "If someone has a suggestion, please approach Israel in an orderly way," Mr Peres told Israeli Army Radio.

In the past, the Geneva-based International Committee of the Red Cross has played a key role in delicate negotiations of this kind and in arranging elaborate prisoner swaps.

Yet on the eve of the deadline set by the hitherto unknown group, officials in Jerusalem and foreign diplomats in Israel denied that a list of prisoners whose freedom had been demanded had been received.

An initiative to break the deadlock was made on Saturday by Mr Nabih Berri, the leader of Amal. He offered to free an Israeli navigator captured last October after he had bailed out of a Phantom F-4 fighter-bomber, in exchange for the prisoner, if "Islamic Jihad for the Liberation of Palestine" released the four academics – three American citizens and an Indian

The case of Mr Terry Waite, the Archbishop of Canterbury's special envoy who has been missing since January 21, took a bizarre turn as the Revolutionary Justice Organisation claimed that he had on his person a hidden radiotransmitter emitting signals to American receivers and providing information on the location of the hideouts of kidnappers of the hostages.

An anonymous caller told a Sunni Moslem radio station late on Saturday night that Mr Waite had been freed somewhere in Lebanon. But a search by Amal and officials of the Progressive Socialist Party, the Druze militia originally responsible for his safety, failed to find him.

The West German Government is believed to have received another letter from the kidnappers of two German company officials seized in Beirut last month. According to reports in Bonn last night, the letter set out again the captors' demand for release of Mr Mohammed Ali Hamadei, an alleged Lebanese terrorist being held near Frankfurt after his arrest by the German authorities, last month.

The US Administration's assertion that secret arms sales to Iran were aimed at strengthening moderate political elements in the country was badly dented yesterday with the publication of a memorandum written last year by a senior official on the staff of Vice President George Bush. Page 12

# Bank of England urges stronger UK banking bill

BY DAVID LASCELLES, BANKING EDITOR, IN LONDON

THE BANK of England and UK bankers are urging the Government to seek much stronger powers in the banking bill which would enable it to veto acquisitions of large stakes in British banks on a wide range of grounds, including the national interest.

This follows their disappointment last week with an amendment proposed by the Treasury which would require anyone buying a stake of more than 5 per cent in a UK bank to notify the Bank of England. The amendment was intended by Mr Ian Stewart, the Economic Secretary, as a response to the City of London's fears of unwelcome predators stalking British banks. However, it gives the Bank no new powers to halt undesirable acquisitions of shares.

Under the bill as presently drafted, the Bank would only be able to block a stake at 15 per cent, the level deemed to be a controlling interest, and then only on the comparatively narrow grounds that the acquiror is not "fit and proper." This would considerably narrow the authority which the Bank currently enjoys to prevent control of banks passing to people of whom it does not approve for other reasons.

The Bank has told the Treasury that it is unhappy with the way the bill is emerging. The Bank believes there is a case for the Government's holding reserve powers to block acquisitions at its discretion. The Bank would like to be able to notify the Treasury of shareholdings which it believes to be against the national interest so that they could be compulsorily unwound.

This would preserve for the Bank an element of discretionary power over the ownership of UK banks, such as it exercised five years ago in vetoing the acquisition of the Royal Bank of Scotland by the Hongkong and Shanghai Bank on national interest grounds.

Many senior UK bankers support the inclusion of such power in the bill. One merchant banking executive described the Treasury's amendment as "simply not enough."

There are two principal worries in the minds of bankers and the Bank of England.

One is that UK banks are increasingly vulnerable to attack by corporate raiders whose sole aim is to make a quick profit on their stakes. There have been several instances of that with merchant banks recently.

The other is that major UK banks could be bid for by foreign institutions who might meet the "fit and proper" test but would not necessarily be desirable as UK bank-owners for reasons of nationality or type.

# EEC to raise copier duty to 20%

BY WILLIAM DAWKINS IN BRUSSELS

THE EUROPEAN COMMUNITY'S anti-dumping duties on Japanese photocopiers are expected to be increased substantially before the end of this month.

Maximum duties on plain paper copiers will probably be raised from the present level of 15.8 per cent to a new limit of 20 per cent.

The move, which follows the imposition of provisional levies last August, will hit 12 of Japan's top photocopier makers, including Sharp, Ricoh, Toshiba and Canon. It is bound to add heat to already strained trade relations between Tokyo and Brussels.

Japanese industrialists have been angered in recent weeks by the emergence of a draft proposal, currently being debated within the European Commission, to extend anti-dumping levies in general to cover imports of components for dumped products which are also assembled in the EEC.

The Commission is also investigating dumping alegations against microwave oven and computer printer manufacturers.

Last year's provisional photocopier duties are due to expire on February 28. The Council of Ministers must decide before then if they are to be scrapped – which is rare – or made definitive.

The proposed increases are the result of new evidence collected by Commission investigators over the past six months.

Provisional duties mean that the offending companies only have to give bank guarantees for anti-dumping levies. But once they are made definitive, duties are charged in cash at EEC frontiers and the guarantees must be paid. Unless challenged within 12 months, definitive duties last for five years.

The proposed increases have been agreed by the Commission and are now being debated by officials from the 12 member states. It is understood to be progressing smoothly in time for agreement by the Council of Ministers before the deadline.

Not all the companies involved would pay the full 20 per cent penalty because the Commission draws up its calculations differently for imports made to EEC manufacturers which then sell what are essentially Japanese products under their own name.

The proposals envisage a 12.6 per cent duty for Mita Industrial – sold in the EEC under the Gestetner label – and 10.1 per cent for Toshiba.



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# OVERSEAS NEWS

## France redeploys troops to check Libyans in Chad

FRANCE has reinforced its military force in Chad, moving troops and equipment towards the strategic "red-line" dividing the country as concern grows over a Libyan troop build-up in the north, according to military officials, Reuter reports from Paris.

A Defence Ministry spokesman said France was concerned at signs of a growing Libyan troop presence and was setting up new bases with anti-aircraft systems in the central east towns of Abeche and Biltine.

He refused to comment, however, on press reports that Paris had boosted its own force in the central African country from 1,400 men to 2,000.

But defence sources said at the weekend the redeployment to Biltine and Abeche would require hundreds of additional troops and material if France was to maintain its strong presence in the capital of N'Djamena and at its key central west base of Moussoro.

Most of France's troops in Chad are rotated from French bases in neighbouring Central African Republic and other African bases, and their number can be quickly increased, the military spokesmen added.

Abeche and Biltine have landing strips and could be used to support Chadian government troops fighting Libyan and rebel guerrillas in the desert and mountain wastes north of the 16th parallel dividing line.

The French initiative follows Chadian claims, largely confirmed by officials in Paris, of a steep increase in Libyan troop strength, heralding a possible new offensive to retake outposts captured by Chadian forces last month.

French officials fear that Tripoli might be further spurred into action by the defection to Chadian government ranks of many of its former rebel allies.

"There are troops massed in the north of Chad, this is uncontested and there is a risk of new fighting," Mr Jean-Bernard Raimond, the French Foreign Minister, said in a radio interview.

The northward movement of French troops continues a process started last month with the establishment of a small but important logistical base just below the 16th parallel at the settlement of Kalait.

France still rejects Chadian demands that it move troops and men north of the "red-line," drawn in 1983 when an earlier French force helped blunt a Libyan and rebel drive south.

But military analysts say Paris is adopting an increasingly advanced stance while trying to avoid a head-on clash with Libya. Tripoli denies having troops in Chad despite the capture of more than 100 Libyans.

## Philippine soldiers on alert as ceasefire ends

PHILIPPINE TROOPS were reported on a war footing yesterday as a 60-day truce with Communist rebels expired, but the Government pledged continued efforts for peace, Reuters reports from Manila.

"The Government will keep the door to peace open, but it will not cede to unwarranted demands," the Government's chief ceasefire negotiator, Mr Teofisto Guingona, said.

President Corazon Aquino's Administration planned to approach the Communist rank and file to seek regional peace agreements, he said.

Both sides in the 18-year-old conflict were reported to be ready for war, but there were no immediate reports of post-ceasefire incidents.

A military spokesman said regional commanders had been told to be careful, with no orders to launch a major offensive against the rebels.

In an apparent bid to reduce the influence of the Communist New People's Army (NPA) in the countryside, the Government unveiled a land reform program to distribute 9.7 million hectares (24 million acres) to millions of impoverished farmers.

"If in the process of achieving land reform, we pull the rug from beneath the feet of the rebels, so be it", the Agrarian Reform Minister, Mr Heherson Alvarez, said.

The rebels said yesterday the truce could not continue because of what they called the Government's lack of faith in pursuing reforms – including the assertion of civilian supremacy over the military.

The expiry of the truce coincided with efforts to end a separate dispute, as the Government prepared for talks tomorrow with Moslem guerrilla groups on self-rule for the southern Philippines.

## Chilean agent reveals role in US bombing

BY MARY HELEN SPOONER IN SANTIAGO

THE confessions of a former Chilean security agent implicated in the 1976 assassination of a prominent Chilian exile in Washington has discomforted General Augusto Pinochet's Government.

Retired army captain Armando Fernandez, a former agent of Chile's secret police DINA, told US investigators that he was assigned to trail former Chilean ambassador and foreign minister Mr Orlando Letelier, prior to the exile's murder. Mr Letelier and an American colleague, were killed when a bomb attached to his car exploded in a Washington street.

The bombing was one of the most serious acts of terrorism on US soil in recent years. US investigators indicted the DINA director, Col. Manuel Contreras, Captain Fernandez and another DINA agent in the crime. Chile's Supreme Court turned down a US extradition request for the three officers in 1979.

Captain Fernandez has negotiated a reduced sentence and a new identity in exchange for his testimony in the case. In a statement to a US district court, he said he had wanted to tell the full story of his involvement in order to clear his name and conscience, but said he was ordered by Col Contreras to make false statements to Chile's Supreme Court.

Captain Fernandez also said he twice attempted to resign from the Chilean army and each time his request was turned down by General Pinochet.

On January 21 he presented a letter of resignation to the army's vice commander and left the country against the wishes of his former superiors – possibly with the aid of US intelligence officials.

## Shadow of labour unrest over Bonn talks

By David Marsh in Bonn

WEST GERMANY'S ruling centre-right parties this week resume difficult talks on forming a coalition overshadowed by threatened labour unrest, fresh subsidy demands for farmers, and more signs of a weakening economy.

The three coalition partners in Mr Helmut Kohl's Government, which was returned to power with a reduced majority a fortnight ago, have been trying to resolve differences about medium term economic policies.

But IG Metall, the powerful metalworkers' union, served notice at the weekend of more immediate challenges.

The union, representing 4m workers, which during recent months has promised a showdown over the Government's economic policies, claimed a 5 per cent pay rise and a cut in the working week to 35 hours. Warning strikes have been called throughout the country next month to back up the demand, which was rejected by the employers.

The threat of labour troubles comes after last week's announcement of a sharp rise in unemployment to close to 2.5m, and small general worries about the economy caused above all by the decline of the dollar. This has been accompanied by divergences within the coalition over the economy, agriculture and law and order.

Reflecting strains between Mr Kohl's dominant Christian Democratic Union (CDU), its Bavarian sister party, the Christian Social Union (CSU), and the small Free Democratic Party (FDP) which gained strongly in the January 25 poll, the Chancellor is likely to take about a further month to put together his administration.

Conservative politicians favourable to farmers, led by Mr Franz Josef Strauss, the Bavarian Prime Minister, have added to the stakes in the coalition discussions by calling for an "accord of the century" to secure markets for agricultural produce, similar to the costly subsidy scheme to support the coal industry until 1995.

## Greens coalition threatened by nuclear row

By Our Bonn Correspondent

THE coalition government in the West German State (Land) of Hesse between the opposition Social Democratic Party (SPD) and the radical ecology party, the Greens, looks likely to break up in acrimony as a result of a bitter row over a key nuclear plant using plutonium to make fuel for atomic power stations.

The Greens, in a bid to check West Germany's move towards a so-called "plutonium economy" are pressing with renewed determination to close the Alkem nuclear plant controlled by the giant Siemens group after their recent success in the general election. The factory, at Hanau near Frankfurt, comes under the jurisdiction of the state government. At a party rally yesterday the Greens came out firmly against compromises over Alkem.

The SPD-led Hesse State Government last month decided to give the Alkem plant only limited operational authorisation until the end of 1996.

EX-CIA EXPERT DEFENDS ZIRCON DISCLOSURES

## UK spy-in-sky report 'no threat to security'

BY PETER MARSH

THE release of information about Zircon, Britain's proposed intelligence-gathering satellite, is unlikely to harm the national security of either Britain or the US, says Dr Ray Cline, a former deputy director of the Central Intelligence Agency.

Dr Cline, chairman of the US Global Strategy Council, a Washington - based advisory group, said he would oppose publication of technical details on Zircon. But he said there was no reason why the public should fail to be informed of the project's existence.

"My impression is that this (Zircon) is a natural development and a sign of the explosion in applications of space technology," said Dr Cline, deputy director at the CIA from 1962-1966. Countries should be more open about intelligence-gathering, he said, and, sometimes, should share information with civilian agencies.

He was reacting to the controversy over Zircon, a secret project, details of which appeared last month in the New Statesman, a UK weekly magazine.

It appears that US Government agencies have been closely involved in planning for the satellite, as part of the general co-operation between the US and UK over intelligence gathering.

Mr William Burrows, a professor of journalism at New York University, said he was told about Zircon last November by a highly-placed intelligence source.

"I was told to keep my mouth shut," said Mr Burrows, the author of Deep Black, a book on space surveillance and national security.

Other people in intelligence circles in the US said that work by the UK on a satellite for collecting signals data had been the subject of general gossip for about a year. Prior to the New Statesman article, however, they had been unaware of the project's name.

Professor Paul Bracken, a political scientist at Yale University, said he had viewed the rumours about a UK satellite as "less than earth shattering." He had assumed the UK, which currently obtains intelligence information from US satellites, would want its own signals vehicle to reduce dependence on the US.

He said the US intelligence community may have become less willing in recent years to share information with Britain, as a result of the highly-publicised cases in which national security secrets from the UK had leaked to the Soviet Union.

It appears Zircon would supplement a series of about six US space vehicles which hover over Asia in the geostationary orbit 22,000 miles above the equator.

The job of the vehicles, called Rhyolite, Chalet or Magnum, is to eavesdrop on telecommunications signals from foreign governments, predominantly the Soviet Union.

The signals intelligence satellites are in addition to other military spy vehicles which take photographs or infra-red images of sensitive parts of the earth's surface.

The US signals-gathering satellites use large aerials several tens of feet in diameter, supplemented by advanced signals processing equipment. Information from the spacecraft is fed by other satellite links to the headquarters of the US National Security Agency near Washingto and also, under a series of agreements between the US and UK, to Britain's Government Communications Headquarters in Cheltenham.

Intelligence experts say the Soviet Union does not deploy geostationary signals-gathering satellites but instead relies on satellites which travel round the earth only a few hundred miles high. These satellites, unlike the geostationary vehicles which can operate for several years, last only a few months, sometimes weeks, before falling as a result of the frictional effect of the earth's atmosphere.

In the US, government agencies rarely discuss signals gathering spacecraft. But the satellites are written about widely, only rarely with hints of government retribution.

Major General eGorge Keegan, head of intelligence for the US Air Force between 1970 and 1977, disputed the view that disclosures about Zircon were harmless. He said the publicity was deplorable.

Mr John Pike, associate administrator for space policy at the Washington-based Federation of American Scientists, said the Soviet Union may already have known about Zircon as a result of disclosures by British spies.

John Lloyd on the Zircon affair, Page 16

## New Renault chief turns attention to US

BY PAUL BETTS IN CHICAGO

MR RAYMOND LEVY, the new chairman of Renault, took his first hard look at American Motors Corporation (AMC) at the weekend including delving into the books of the troubled Detroit company, which is 46 per cent owned and managed by the French state car group.

So far, Mr Levy has given nothing away about his intentions towards the company, but he chose a particularly symbolic moment to pay his first visit to the US since taking over six weeks ago.

He attended unexpectedly the weekend presentation at the Chicago Motor Show of Renault's new US-built car, an intermediate range, six-seater saloon called the Premiere on which the French company is betting the future of its seven-year $750m investment in the US. "This car is a make-or-break project for us," a Renault executive said in Chicago.

Mr Levy emphasised that his task was to ensure that Renault — which has lost more than FFr 25bn (£2.7bn) over the past three years — returns to profit and that his decisions on AMC would be taken on that basis.

Since Mr Levy was appointed to replace Mr Georges Besse, killed by terrorists last November, there has been regular speculation in Paris that Renault may consider a gradual disengagement from the US.

Boosted by strong Jeep sales and cost-cutting measures, AMC losses in 1986 are expected to decline to less than $100m, compared with $125m the year before. The company lost money in the first three-quarters of 1986, but Mr Joe Cappy, AMC's chief executive, confirmed that the last quarter would show a profit. Analysts expect this to be $10m-$12m.

Mr Cappy said AMC's target was to return to the black in 1988. AMC is hoping to be close to break-even this year which will see the company introduce a new range of French-imported and American-built cars at a new $675m facility at Bramalea in Canada.

"With our new compact and intermediate cars and our alliance sub-compact we will now be able to compete in 60 per cent of the US passenger car market instead of 20 per cent up to now," said Mr Francois Castaing, AMC group vice-president for product and quality. "By 1989 we hope to sell about 200,000 cars a year in market segments involving about 4m cars a year in the US and another 400,000 cars a year in Canada," he added.

However, Renault is launching its French-made Medallion (the American version of the Renault 21) and American built Premiere, to be followed by a sports coupe version, at a time of growing competition in these market sectors in the US.

The decline of the dollar has also caused growing concern to Renault which expects AMC to import from France up to $600m worth of cars and parts this year, rising to $1bn next year and $1.5bn in 1989 when the new range cars will be in full stream. At around FFr 6, the dollar parity is now below the FFr 6.30 figure which Renault considers necessary for a good return on its exports to the US.

As part of its efforts to cut costs and improve productivity, AMC is planning to spend $250m renovating its car assembly plant of Kenosha in Wisconsin. It is also negotiating a new labour contract on which will hinge plans to build a new Jeep model and assemble a small car at the plant for Chrysler.

## EEC raises few summit hopes in Guatemala

By David Gardner in Guatemala City

THE EEC and Central America meet today in Guatemala City for a summit overshadowed by evidence that the war-torn region is becoming more polarised between left-wing Nicaragua and Washington and its local allies.

The meeting is the third in a series begun in San Jose, Costa Rica in 1984 and continued in Luxembourg in 1985, when EEC foreign ministers pledged to double Community aid

It follows the disheartening results of last month's renewed peace drive by Mr Perez de Cuellar, the UN Secretary General and the Contadora group, which has for four years fought in vain a negotiated solution to the region's conflicts.

Mr Perez de Cuellar said he had not found "what I would call the political will to resolve the conflict."

This perception appears amply confirmed by the meeting of the pro-US Central American caucus—Costa Rica, Honduras, El Salvador and Guatemala—due to take place in San Jose next week, which is expected to come up with a Washington-inspired "peace offer" unacceptable to Nicaragua's ruling Sandinistas.

## Spanish right picks young leader

BY DAVID WHITE IN MADRID

IN JUST over two months, Mr Antonio Hernandez Mancha has come from almost nowhere to be, at the age of 35, leader of Spain's main Conservative opposition party.

When Mr Manual Fraga resigned from the presidency of Alianza Popular in December the young politician from Andalucia was an outsider in the succession stakes. At the weekend, autographing photographs left and right, surrounded by thousands of supporters' stickers, he trounced the acting leader, Mr Miguel Herrero, by winning 71 per cent of the 2,700 votes at a special party conference.

Mr Fraga, who had avoided taking sides, appeared at the end of the conference to seal the succession with an emotional speech. "Many of my hopes have been confirmed," he said afterwards.

The rise of Mr Hernandez Mancha echoes in several ways that of Mr Felipe Gonzalez when, aged 32, he became leader of the then illegal Socialist party. Like Spain's current Prime Minister, Mr Hernandez Mancha is a southerner, prone to drop the final "s" when he speaks but never lost for words, reputed for an ability to convince more than for his ideas as such, and young enough not to remind Spaniards of their bitter past.

The main handicap facing Mr Hernandez Mancha, who will now give up his role as opposition spokesman in Andalucia and move to Madrid, is that he is not a member of parliament and therefore needs someone else as a parliamentary spearhead. His greenness—especially in international contacts—makes a strong contrast with his predecessor, who had a solid career as minister, diplomat and academic behind him. In the eyes of many, including the Socialist Government, the new leader has still to prove he is not a lightweight.

## Premiers to meet over Ottawa rift

BY BERNARD SIMON IN TORONTO

THE PREMIERS of Canada's 10 provinces are to hold a hastily-arranged meeting in Toronto today to discuss their increasingly troubled relations with the Federal Government in Ottawa.

The immediate purpose of the meeting is an effort by Newfoundland's premier, Mr Brian Peckford, to rally support for his arguments against a fishing agreement signed last month between Canada and France.

But the meeting is also likely to give other provincial leaders a platform to air their differences with Ottawa.

The wide disparity between the economic performance of western oil and grain producing provinces and the industrial heartland of Ontario and Quebec has fuelled federal-provincial tensions in the past year. The provinces have been emboldened by a series of scandals and other political setbacks which have weakened the federal government of Mr Brian Mulroney, the Prime Minister.

When Mr Mulroney's Progressive Conservative Party entered office in September 1984, nine of the 10 provinces were ruled by governments friendly to the Tories. Since then, however, liberals have taken over in three provinces, including the key areas of Ontario and Quebec.

## Craxi takes newspaper to court

By John Wyles in Rome

MR Bettino Craxi, the Italian prime minister, has started legal proceedings against the country's second largest newspaper, La Republica, following a report connecting him with a fraud case in Turin.

The Prime Minister's move is unusual because of the relative scarcity of libel actions in Italy. The offending article, published on Saturday, has been seen by some politicians on the left as evidence of an attempt to discredit Mr Craxi and his socialist party ahead of the next elections in June 1988. They think it all the more likely that Mr Craxi will precipitate early elections to frustrate any such campaign.

The newspaper article was based on a report by an inquiring magistrate into the collapse in 1981 of a Turin-based leasing company, Sicmu di Orbassano. The magistrate is pressing charges against eight people including a manager from Barclays Bank in Italy and one from Barclays Leasing Italia.

At the centre of the affair is Mr Gianfranco Maiocco, the owner of Sicmu, whom the prosecutor claims led a L40bn leasing fraud and may have made illegal payments to the socialist party.

An aristocratic fundraiser for the socialists, Mr Ferdinand Mach di Palmstein, has been accused of accepting L120m on behalf of the party in breach of Italy's laws on political financing. There was no evidence, said the magistrate, that Mr Craxi was aware of the payment.

Mr Craxi's lawyers said at the weekend that the payment mentioned in the case was, in fact, permissible under the law

## Genoa strike leader sacked

The long-running labour dispute in the port of Genoa reached a dramatic climax at the weekend with the issue of a decree dismissing from office Mr Pardie Batini, the militant Communist leader of the Dockworkers' Association, and installing in his place a government "commissioner," Alan Friedman reports from Milan.

The appointment of a commissioner, a kind of official prefect, is the most extreme action that can be taken. It has the effect of placing the 3,297 striking dockworkers under almost military control, iwth the aim of ending wildcat strikes which have paralysed the port for more than a month.

Mr Roberto D'Alessandro, the port authority chairman, who issued the decree on Saturday, said he was removing Mr Batini from office for disobedience. The official grounds for his removal concern his refusal to provide a "public service."

## Briton repeats TV admission to 'spying'

Mr Roger Cooper, a British businessman held in Iran for 14 months, appeared on Iranian television on Saturday for the second time in three days to confess to spying. Reuter reports from Tehran. Mr Cooper, 51, speaking in Farsi, appeared to read prepared answers to questions asked by two reporters in a different room.

## China and Soviet Union open talks on border dispute today

BY PATRICK COCKBURN, RECENTLY IN KHABAROVSK

CHINA AND the Soviet Union are due to start negotiations in Moscow today to resolve their border dispute, which has led to armed clashes in the past 20 years.

Mr Igor Rogachev, Soviet Deputy Foreign Minister, who leads his country's negotiating team, reached agreement in Peking last October to resume discussions after a break of seven years. This followed an offer by Mr Mikhail Gorbachev, the Soviet leader, last year to make concessions to China on the frontier issue.

The areas in dispute are mainly in the Soviet Far East on the 3,000-mile Amur River and its tributary, the Ussuri. It was on one of the larger of the hundreds of disputed islands on the Ussuri, called Damansky Island by the Russians and Zhenbao by the Chinese, that 31 Soviet soldiers were killed by Chinese troops on March 2, 1969 and subsequent heavy fighting brought Moscow and Peking close to all-out war.

In a speech in the Far Eastern port of Vladivostok last July, Mr Gorbachev called for better relations with China and said specifically the official border "could pass along the main ship channel" of the Amur and the Ussuri rather than along the Chinese side as the Soviet Union had previously claimed.

The talks are also a sign of a general improvement in Sino-Soviet relations, although Peking says normalisation of contacts is still blocked by the Soviet occupation of Afghanistan, support for Vietnam in Kampuchea and Soviet troop concentrations on China's northern border.

Despite these obstacles, Moscow has shown signs over the past six weeks of wishing to speed its repprochement with Peking by its conditional offer to withdraw its troops from Afghanistan, the pull-out of a motorised infantry division from Mongolia and the border talks today.

The Amur and Ussuri were covered with about a yard of ice last week and there were few signs of military activity in the heavily-forested hills north of the Soviet base at Vladivostok.

Nevertheless total Soviet military personnel, including sailors, in the Soviet Far East totals an estimated 700,000

Local Communist Party officials are optimistic. Mr Alexi Cherny, party leader for 17 years in Khabarovsk province, a vast region of forests and wastelands immediately to the north of the border, said last week he expected a lot from the talks.

"The Amur causes floods for both China and ourselves," he said. He suggested the construction of a hydroelectric dam on the upper Amur

Although total trade between China and the Soviet Union totalled 1.8bn roubles ($1.8bn) last year, border trade, conducted by barter, reached less than 30m roubles.

Given that most of what the 7.5m people of the Soviet Far East consume has to be transported vast distances, and at great expense, along the Trans-Siberian railway the Chinese and Soviet border provinces are obvious markets for each other's produce.

Access to its natural hinterland on the other side of the border would benefit the cities such as Khabarovsk, with a population of 600,000.

These have grown up along the Trans-Siberian railway, the lifeline linking the region to Moscow 6,000 miles away, but their prosperity remains dependent on subsidies from the centre unless trade with China and Japan can be expanded greatly.

**The Soviet Union last week released at least 42 political dissidents from labour camps, prisons or exile a spokesman for Dr Andrei Sakharov, the Soviet physicist released from exile in December, said at the weeeknd.**

**Dr Sakharov's wife, Mrs Yelena Bonner, said the number released under a February 2 decree by the Supreme Soviet, the Soviet parliament, might be higher but that there was no general amnesty.**

**The number of political prisoners in the Soviet Union is put at between 750 and 900 by diplomats in Moscow though the figure rises to 2,500 if people detained for religious proselytising are included.**

Igor Rogachev arrives in Peking

## OECD urges action to combat Third World drug 'epidemic'

BY PAUL BETTS IN PARIS

WESTERN AID donor countries are calling for urgent action against the rapid expansion of drug consumption and abuse in developing countries where the problem has reached "epidemic" proportions according to development aid officials.

A report just published by the Organisation for Economic Co-operation and Development (OECD) warns that developing countries have become the fastest growing markets not only for drug production but also for trafficking and consumption. It urges greater co-ordination between aid donors and developing countries and recommends that law enforcement be more closely associated with development activities.

The OECD study paints an alarming picture of the growth of drug consumption in the Third World. It also estimates profits from drug trafficking now total about $300bn (£197bn) worldwide including $100bn to $130bn in the US.

The report says drug traffickers are now looking for new markets and new consumers in developing countries. "In a country like Pakistan where there was no heroin addiction before 1979, the number of addicts is now estimated at 300,000 or more. The OECD says there is no evidence that the addiction rate is peaking in Pakistan.

In some developing countries like Malaysia the number of addicts in the total population is now larger than the addiction rate in the US. In Malaysia it is estimated at one out of 169, a rate nearly three times higher than in the US with one person out of 460.

The report says that while only a small number of drug producing countries were concerned by the drug problem, today most developing countries are involved or threatened. In Latin America, in addition to traditional producers like Bolivia, Columbia and Peru, Argentina, Brazil, Ecuador, Jamaica, Panama and Venezuela have developed production. Brazil and Argentina are emerging as new refining centres, and refining is also increasing in Mexico and Panama.

In Asia, the report says the people of India, Malaysia and Sri Lanka have become major heroin consumers. "Even Africa is becoming deeply involved in the narcotics transit from Latin America and South Asia to Europe. Nigeria is today a key transit country," the report notes.

The report says the main reasons for this growth in drug abuse in Third World countries are tied to a combination of socio-economic and psychological factors including urbanisation, unemployment and westernisation. But another major cause is the easy access of drugs at a cheap price. "In some places in Colombia a cigarette of coca costs no more than a piece of chewing gum," the report says.

What worries the OECD is the fact that drug abuse is not only a cause but also a consequence of underdevelopment.

Drug abuse, the report notes, is progressing most rapidly in countries with the highest inflation rates, largest debts and deteriorating economic and financial conditions.

The OECD thus argues that the problem has become a critical issue for developing countries and its control and prevention must be regarded as part of overall development policies. "A long term strategy is required, including a long term commitment of both donor agencies and recipient governments," the report says. It adds that the crop substitution approach to the drug problem in poor rural regions adopted during the last decade is no longer realistic or sufficient.

*The role of development assistance in narcotics reduction in developing countries, OECD, Paris 1987.

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# US angry over Japan mobile phone decision

BY IAN RODGER IN TOKYO

THE US has reacted angrily to the decision by the Japanese Ministry of Posts and Telecommunications (MPT) to award cellular radio (mobile telephone) licenses to both consortiums competing for the second franchise in this sector.

The Daini Denden consortium, which will use US-made Motorola equipment, had expected to emerge as sole victor in this race for a stake in a $340m market. But in won only the franchise for Osaka and western Japan, a market half the size of Tokyo and eastern Japan.

That franchise was won by Teleway Japan, a late entry to the field and one which will use only Japan-made equipment.

US sources see the decision as a significant setback to their attempts to open Japanese markets to foreign competition, and they expect it to further stiffen the resolve of the Democratic Congress to pass protectionist legislation.

The US Government has worked particularly hard, in the context of the so-called Moss talks, to have Japan's regulatory restrictions on foreign telecommunication equipment and services removed. So far, these efforts have borne very little fruit.

The uneven split between the two franchises is probably the result of representations by Toyota Motor, a partner in the Teleway consortium. Toyota was apparently determined that its headquarters city of Nagoya should be in the Teleway territory, although Nagoya would normally have been included in the western Japan franchise.

The US side recognised Toyota's strong influence in Teleway and had talks with the car-maker emphasising the importance of opening the entire Japanese market to foreign competition, but to no avail.

The cellular radio decision may provide some guidance for how the MPT is thinking of handling competition for the franchise for Japan's second international telecommunications network, the so-called second KDD.

Cable and Wireless, the UK-owned group, is a major partner in International Digital Communications Planning (IDC), one of the consortiums competing for this franchise.

The parallels between the two situations are striking. In both cases, a consortium with significant foreign participation was initially alone in seeking the new franchise, but found itself competing at a late stage with an all-Japanese consortium. In both cases, the MPT tried to arrange a merger of the two consortiums, apparently with a view to diluting foreign involvement.

The ministry has openly expressed its displeasure with the presence of foreign companies in IDC — Pacific Telesis and Merrill Lynch of the US are also members.

In the cellular radio case, the MPT's final decision was delayed for several months because of the entry of Teleway and the failure of merger negotiations.

## World Economic Indicators

RETAIL PRICES
(1980 = 100)

| | Dec. 86 | Nov. 86 | Oct. 86 | Dec. 85 | % change over previous year |
|---|---|---|---|---|---|
| US | 134.32 | 134.00 | 133.63 | 132.86 | +1.1 |
| W. Germany | 120.10 | 119.90 | 120.00 | 121.40 | −1.1 |
| Belgium | 142.70 | 142.60 | 142.70 | 141.80 | +0.6 |
| UK | 149.00 | 148.50 | 147.30 | 143.70 | +3.7 |
| Japan | 114.80 | 114.90 | 115.50 | 115.00 | −0.2 |
| France | 163.70 | 163.50 | 163.30 | 160.30 | +2.1 |
| Italy | 205.00 | 204.40 | 203.60 | 196.90 | +4.1 |
| Netherlands | 123.20 | 123.30 | 123.20 | 122.90 | +0.2 |

*Source (except US): Eurostat*

# Taiwan in move to lift controls on press

By Robert King in Taipei

TAIWAN IS to lift a 10-year ban on the establishment of newspapers and end restrictions on the number of pages a newspaper may contain. Its move will, in effect, de-control the press.

Mr Chang Ching-yu, the official Government spokesman, said the Government Information Office was reviewing the law that governs the press.

In 1951, the issuing of licences for new newspapers was frozen at 31 and each paper was limited to eight pages. The page limit was raised to 12 in 1974.

The move is part of an accelerating programme of government reform in the past year that has begun to tackle some of Taiwan's most controversial issues.

Late last year the Government announced it was planning to end almost 40 years of martial law. Legislation is already before parliament.

The government has also tolerated Taiwan's first opposition party, even though a long-standing ban on the formation of parties has not been lifted.

Most recently, President Chiang Ching-kuo, considered the architect of the reforms, said parliamentary reform, meaning greater participation in policy-making by people born in Taiwan, was next in line.

Parliament and the National Assembly are dominated by ageing Nationalists elected 40 years ago on mainland China who cannot be replaced until free elections are held in their constituencies on the mainland.

In liberalising the Press rules, the Government is allowing competition and market forces to decide which publications succeeded and which fail. At present the 31 newspapers are more or less guaranteed a market share.

Observers have suggested such competition will force newspapers to improve reporting and expand coverage.

Officers, government officials and opposition figures have hailed the Government announcement.

Mr Yu Kuo-Hwa, the Prime Minister, called for "proper rules which will allow freedom of the Press within the framework of social responsibility."

# Supply route to Afghan rebels threatened

BY JOHN ELLIOTT, RECENTLY IN PAKTIA PROVINCE, AFGHANISTAN

SOVIET AND Afghan forces have seized control of the start of an important Mujihadeen supply route through the eastern Afghanistan province of Paktia, in their first major offensive against Islamic resistance fighters since the abortive ceasefire called by Moscow and Kabul just over three weeks.

Heavy fighting is continuing in the area near the Afghan-held city of Khost as the Soviet and Afghan forces try to capture two key Mujahideen bases close to the Pakistan border. This would give them complete control of the supply route. The bases, located in shallow valleys, are ringed by hill-top Mujahideen gun positions.

Coming just over two weeks before a new offer is due to be made at United Nations-sponsored talks in Geneva for the withdrawal of Soviet Troops from Afghanistan, the battle is significant for two reasons.

First, the Soviet forces are trying to cut off Mujahideen guerrilla groups deep inside Afghanistan from important sources of supplies at a time of year when entry points to the north are blocked by snow.

Essential supplies of weapons and ammunition from China and elsewhere travel with food and other provisions on this route, initially by truck across the border from Miram Shah, and then for up to 60 days by mule and camel round the nearby Sanaki Hills and into the mountainous interior.

Secondly, the attack has symbolic importance because it was here that the Mujahideen launched a battle on January 15 to demostrate that they were totally rejecting the ceasefire called to start that morning.

The Mujahideen broke the ceasefire by shelling a hill top at Sanaki about 20 miles from the Pakistan border overlooking the supply route. This had been captured a few days earlier by Soviet forces. Later, the Soviet and Afghan forces also broke the ceasefire with heavy shelling and air raids. In subsequent battles they resisted Mujahideen attempts to recapture the hill.

Last week, the Soviet and Afghan forces struck back with 10,000 troops and heavy bombing raids, according to Mujahideen sources in Pakistan. At the weekend they are reported to have captured the supply route round the Sanaki hills and also a small but important forward Mujahideen base at Mani Kandou.

Their main target are two bases operated by the Khallis and Hekmatyar factions of the Hezb-i-Islami, which operate along with other resistance groups from the Pakistan border city of Peshawar.

One of these bases, called Jhawar, was held by Afghan forces for a short period after a 35-day long battle last March. These are prestige bases for the Mujahideen, containing underground storage areas for armaments as well as mosques and dormitories.

Were these two bases to fall, the Soviet and Afghan forces would have gained control of a key area only a few minutes drive from the Pakistan border.

Lionel Barber adds from Washington: The Reagan Administration is to send more Stinger anti-aircraft missiles to the Afghan rebels this year to put more pressure on the Soviet Union to withdraw its troops. US officials have been impressed by the success of the missiles, first shipped last spring. They are particularly effective against helicopters.

# Torture protests in Seoul

By Maggie Ford in Seoul

Some 400 worshippers and priests at Seoul's Anglican cathedral last night held a peaceful protest meeting after mass over the death of a student through torture by police.

It will add to the pressure on the Government after Saturday's nationwide demonstrations during memorial services for the dead student. Christian churches have been prominent in the alliance of opposition, human rights and religious groups who organised Saturday's service.

The furore over the student's death has not abated despite the dismissal of the Interior Minister and police chief last month. Nearly 800 people were arrested on Saturday as more than 30,000 police prevented mourners from attending a service at the Roman Catholic Cathedral. About 600 nuns and priests were allowed through police lines.

Demonstrators threw stores and petrol bombs at the police who responded with tear gas.

Fourteen police were hurt in the clashes and a police bus and two government buildings were attacked. A government spokesman said 59 people were released yesterday and many of the remainder would be set free today.

# Hong Kong row over elections

BY KEVIN HAMLIN IN HONG KONG

A POLITICAL row has erupted in Hong Kong over the introduction of direct elections, following local Press reports that China might block them.

The Chinese Manufacturers' Association yesterday urged the Government to postpone a political review due this year, warning that the introduction of direct elections before 1990 would affect stability and prosperity. Local newspapers have reported that China does not want direct elections introduced next year but may be willing to allow some Legislative Councillors to be elected in 1990.

The Basic Law—a mini-constitution for the Territory's future under China after 1997—is due to be promulgated by the Chinese National People's Congress in 1990. It is now being drafted, mainly by pro-Peking interests, and the first draft will be published next year.

Britain is said to have recently lobbied Peking for direct elections in response to increasing local demand, though it had earlier tacitly agreed that there must be "convergence" between political reforms and the basic law.

Two Legislative Councillors, meanwhile, have written to Ji Pengfei, director of China's Hong Kong and Macao Affairs Office reporting to the State Council, asking the mainland to clarify its views on political reforms which are due this year.

SHIPPING REPORT

# Tanker rates reach very low ebb

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

THERE WAS little good news for shipowners last week, with tanker rates remaining at levels described as "dismal" by brokers, and signs of an end to recent minor improvements in the dry cargo market.

In the tanker sector, brokers said owners were having to accept the lowest returns for some time, with the rate for a very large crude carrier (VLCC) voyage from the Gulf to north-west Europe down to around $5,000 per day, compared to $12,000 a year ago.

Galbraith's, the London brokers, reported that 51 VLCCs totalling 14m tonnes deadweight were available in the Gulf, leading to a further fall in Worldscale rates.

E. A. Gibson Shipbrokers said the last reported fixture for a VLCC was to be the Red Sea at Worldscale 32.5. Earlier, the Kuwait Petroleum Corporation was also reported to have fixed a vessel of 240,000 tons from the Gulf to the East at Worldscale 31.25.

There was said to be little demand for smaller ships, although Exxon was reported to have fixed a ship of 98,000 tons from the Gulf to Sriracha at Worldscale 62.5.

It was a similar story in the Mediterranean, where charterers were reported to have held the upper hand. Cameli was said to have secured a vessel of 135,000 tons from Sidi Kerir to Italy at Worldscale 46, and a French charterer, a vessel for 80,000 tons of no-heat crude for a cross-Mediterranean voyage at below Worldscale 70.

In other areas, owners were said to have been able to secure more lucrative employment out of West Africa and rates remained relatively firm in the Caribbean. The North Sea was said to be more active than most, but a surplus of tonnage depressed rates.

In the dry cargo market, rates for Panamax vessels (the largest able to navigate the Panama Canal) fell back to around $13.50 for voyages from the US Gulf to Japan and $8.25 from the US to Europe. Time charter rates were also said to have weakened.

Brokers said one new feature of the sector was apparent Soviet purchasing on the world sugar market, leading to a substantial amount of what was described as "cloak and dagger negotiations."

# UK faces S Pacific dilemma

By Chris Sherwell in Sydney

BRITAIN'S relations with 13 South Pacific nations, including Australia and New Zealand, are under scrutiny in the region following the US decision last week not to sign the South Pacific nuclear-free zone treaty.

The UK is the only one of the five nuclear powers whose position remains undecided. France has refused to sign, the Soviet Union has already done so and China is expected to sign this week.

Britain is believed to be examining its position carefully, but is expected to follow the US line.

Treaty signatories undertake not to test, dispose, store, use or threaten to use nuclear devices in the South Pacific. The Treaty of Rarotonga, as it is called, has received strong support from Australia and New Zealand, the most powerful of the 13 countries in the South Pacific Forum.

The US decision not to sign has been strongly attacked by Mr Bill Hayden, the Australian Foreign Minister, and by Mr David Lange, Prime Minister of New Zealand, which left the Anzus Treaty with the US last year after barring nuclear-armed or powered ships from its ports.

Other Pacific countries, Fiji and Western Samoa, have also complained at the US action, Fiji warned that the move could have serious implications for the Forum's relations with the US.

# OVERSEAS NEWS

## Fiery Ulster entry to Irish poll campaign

A spate of incendiary devices claimed by an Ulster Protestant group and arguments about the Anglo-Irish Agreement have brought the issue of Northern Ireland to prominence for the first time in the campaign for the general election in the Irish Republic on February 17, writes Hugh Carnegy in Dublin.

Until the weekend, the somewhat lacklustre campaign had been dominated by the depressed state of the economy as Dr Garret FitzGerald, the Prime Minister and leader of the Fine Gael party, struggled to overturn opinion poll ratings showing slumping support for him and a big lead for Mr Charles Haughey's Fianna Fail.

A turning point could come on Thursday when Dr FitzGerald and Mr Haughey meet in a television debate. Mr Desmond O'Malley, leader of the new Progressive Democrats, will be hoping that disillusionment with both will boost his aim of holding the balance of power after the election.

Damage estimated at I£1m (£955,000) was caused by several small incendiary devices placed in shops in two towns in County Donegal, just across the border from Northern Ireland, on Saturday night.

The Ulster Freedom Fighters (UFF), an offshoot of the legal Ulster Defence Association, said it had planted the devices as part of its campaign against the Anglo-Irish Agreement.

Just before the UFF bombs went off, Dr Fitzgerald claimed credit for pressing on with the Agreement, which gave the republic a formal say in northern affairs for the first time, despite the risk of public humiliation involved in dealing with the sometimes "cumbersome and clumsy" British Government.

Fine Gael and the Progressive Democrats both attacked Fianna Fail at the weekend for being ambiguous and dishonest about the agreement, which has broad support in the South but which Mr Haughey has frequently attacked for giving too many concessions to Northern Unionists.

Mr Gerry Collins, the party's foreign affairs spokesman, said Fianna Fail would "honour and respect" the accord as it was an international agreement. But he said it would take any opportunity that arose to review what he called the recognition in it of the legitimacy of Britain's presence

### Hugh Carnegy on the bewildering choice facing Irish voters

## A guide to the political maze

IF THE hostilities of Northern Ireland have made its politics a bewildering mix of religious and national loyalties, any outsider curious about the general election in the Irish Repblic a week tomorrow will find the party system there scarcely less confusing.

A first logical step to understanding the unusual system might be to translate the names of the parties with Gaelic titles.

This does not enlighten the issue: the biggest party, Fianna Fail, translates as "soldiers of destiny." Fine Gael, its chief rival and senior party in the outgoing coalition with Labour, means "clan of the Gaels." Sinn Fein, the political wing of the Irish Republican Army, means "ourselves alone."

Irish politics do not fit into any conventional European mould of socialist versus conservative. They still owe more to the divisions which rent the country after independence from Britain more than 60 years ago, symbolised by the large number of Irish politicians who have "inherited" their seats from close relatives.

Over the years, Fianna Fail and Fine Gael have evolved some distinguishing ideological features, but these are often contradictory and blurred. A notable feature has been the failure of the Labour Party, a minority member of a number of coalitions, to establish a major Irish socialist movement.

In this election there is a party, established just over a year ago, which is attempting to break the mould. The Progressive Democrats, led by Mr Desmond O'Malley, a former Fianna Fail minister, have struck a chord by talking of breaking through the old loyalties of the two big parties.

The party espouses so-called New Right economic and liberal social policies. And opinion polls suggest it may achieve its immediate goal of holding the balance of power in the 166-seat parliament. But it is not the first party to try mould-breaking and previous attempts failed to overcome the deep-seated traditions which govern Irish politics.

These traditions are rooted in the partition of Ireland in 1922. This led to the break-up of the original Sinn Fein Party, which had led the fight for independence, into those who accepted the partition treaty as the best deal available and those who rejected it for falling short of Irish unity.

Several years of bloody civil war followed. The pro-treaty Government was dominated by what became Fine Gael while the Sinn Fein rump eventually split again, in 1926, when Eamon de Valera formed Fianna Fail.

Fianna Fail, now reluctantly accepting the consequences of the treaty, won a sweeping general election victory in 1932 and has been the only party to form a majority government on its own ever since.

It remains the case that Fianna Fail, led since 1979 by Mr Charles Haughey, preserves a harder Republican line, laced with a dose of anti-British feeling, than Fine Gael.

But both parties reject the violence of the modern IRA, arguing that the problems of Northern Ireland must be resolved peacefully.

Sinn Fein in its present form, with its hard left ideology and its commitment to the IRA, has no more than marginal support in the Republic. The Marxist Workers' Party, the product of a later Sinn Fein split, has never won more than three seats in parliament.

Fine Gael and Fianna Fail share a commitment to Irish neutrality and membership of the European Community.

Nor do they diverge much on economic policy. In this election, dominated by how to deal with the country's huge debt, Fine Gael is pressing the need for tough spending cuts and free-market measures such as privatisation.

Fianna Fail, the party most responsible down the years for fostering a large state industrial sector, is against privatisation and less hawkish on cuts.

Nevertheless, Fianna Fail has always had, and still has, a strong commitment to private business.

Fianna Fail's great strength has been its impressive party machine which has built and sustained its image as a national movement encompassing all levels of society.

Since he became leader of Fine Gael in 1977, Dr Garret Fitzgerald has concentrated on trying to build it into a position of electoral equality with Fianna Fail. He achieved the party's greatest number of seats —70—in the last general election in November 1982.

That total is virtually certain to fall, perhaps dramatically, in this campaign. It also masks the fact that Dr FitzGerald has never been universally popular in his own party. His concern to reform some of the very conservative features of the overwhelmingly Roman Catholic society, such as last year's failed attempt to introduce divorce, contrasts with a greater general social conservatism in Fianna Fail.

But his liberalism has always been resented by a significant Fine Gael old guard of the school that supported his predecessor, Mr Liam Cosgrave, when Cosgrave voted against his own Government's move to legalise contraceptives in 1974.

If Fine Gael avoids a serious collapse of its vote in the election and the Progressive Democrats do well it may be that some kind of realignment of Irish politics will emerge: Fine Gael's and the PD's economic stance cast them as potential allies.

At the same time, Labour and Fianna Fail are edging closer together in their wooing of the less well-off and the days of Fine Gael-Labour partnership look to be over.

> If Fine Gael avoids a serious collapse of its vote and the Progressive Democrats do well a political realignment may emerge.

# UK NEWS

## Labour ready to fight over income tax cuts

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

MR ROY HATTERSLEY, the Labour Party's economic affairs spokesman, yesterday underlined his party's determination to make the choice between income tax cuts and public spending on job creation and improved public services a major general election issue.

Mr Hattersley, speaking to Labour's local government conference in Leeds, northern England, claimed that Mrs Margaret Thatcher, the Prime Minister, would almost certainly be panicked into calling an election in the next three months. Repeating a firm pledge to reverse any tax cuts announced in the next budget, he said they were the wrong choice and reflected the true extent of "Tory desperation and cynicism."

He said that, faced with a rapidly deteriorating economy, the temptation for the Prime Minister to "cut and run" in the spring was almost irresistible.

His remarks confirm the growing conviction within the ranks of Labour's leadership that an early election is on the way. Mr Neil Kinnock, the Labour leader, has also said he believes Mrs Thatcher will go to the country by May or June at the latest and is gearing up the party organisation for an early poll.

Mr Hattersley attacked the Government for presiding over what he described as the biggest borrowing boom in British history.

The Government, Mr Hattersley said, had squandered oil revenues and had ravaged manufacturing industry in order to help City of London speculators.

Local authorities would, he said, play a major role in the next Labour government's programme to cut the number of registered unemployed by one million in two years. He said details of the party's plans for job creation within a mixed economy – newly dubbed the programme for national renewal – will be launched next month.

But the opposition spokesman repeated last week's call from Mr Kinnock for a consensus on the levels of council spending and the need for greater efficiency. He said those Labour-controlled authorities which faced mounting debt problems could not expect to be bailed out.

A Labour government, he warned, would not penalise hundreds of councils in order to tailor its grant formula to meet the needs of half a dozen authorities who had indulged in so-called creative accounting. Labour's rate support grant formula, he added, would be based solely on need.

## Pre-poll relaxation 'will end in curbs'

By Philip Stephens

THE present relaxation of the Government's economic policy ahead of the general election will have to be followed by a tightening of controls on public spending and borrowing if it is re-elected, a leading City of London forecaster says today.

Goldman Sachs, the US securities house, says in its latest economic review that Mr Nigel Lawson, the Chancellor of the Exchequer, is following the time-honoured tradition of easing the economic policy reins in the 18 months before an election.

It expects the Chancellor will find room to announce tax cuts of £2½bn to £3bn in his March 17 budget, alongside a reduction of £½bn to £1bn in his previously announced borrowing target of £7bn for 1987-88.

The review argues, however, that, if it were not for the election, Mr Lawson would probably judge this year as the right moment to ratchet the PSBR (Public Sector Borrowing Requirement) down by as much as £3.5bn forgoing any significant tax cuts.

It says: "Given balance of payments and consumer credit dangers, and the very high level of real interest rates, most Treasury economists would probably favour this course. The Chancellor, however, will no doubt be seduced by the opportunity – quite possibly his last – to reduce income tax."

Despite this, the need for a "crunching" reversal of the likely tax cuts has probably been overstated. Goldman Sachs says rising price inflation later this year will provide a natural brake on the economy as it erodes personal income gains.

At the same time, a re-elected Conservative government would probably introduce renewed discipline into monetary policy through full membership of the European Monetary System.

Those two factors would still leave a need for some tightening of fiscal policy to hold the PSBR to around £9bn to 10bn a year after 1987-88. That could be done, however, through cuts in public spending, rather than through a sudden reversal of tax cuts.

● This year's PSBR is likely to undershoot its £7bn target by £1bn, securities house Hoare Govett says today.

## ICL signs deal to computerise social security

By David Thomas

ICL, the largest British-owned computer company, and the Department of Health and Social Security have signed a memorandum of understanding designed to ensure the success of the department's plans to computerise its operations.

The DHSS is intending to spend more than £500m to computerise its operations by the mid-1990s.

ICL, which is supplying the mainframes for the project, is likely to win orders for about half the total amount being spent by the department. So far, the DHSS has spent about £40m on ICL equipment and services as part of the project.

The memorandum of understanding signed last week outlines procedures for the supply of further ICL mainframes for the remainder of the project. It is intended to make procurement quicker and more cost-effective and formally recognises ICL's role as the mainframe supplier for the whole project.

Dr John Spackman, DHSS director of operational strategy, welcomed ICL's formal commitments to the long-term success of the department's computerisation.

## Parties back national schools curriculum

BY PETER RIDDELL, POLITICAL EDITOR

A NEW national curriculum in schools was proposed over the weekend by both Mr Kenneth Baker, the Education Secretary, and by Mr Giles Radice, Labour's education spokesman.

Addressing the annual Young Conservative conference in Scarborough, Mr Baker argued for a national curriculum with a common range of subjects up to the age of 16.

His theme was the need for new standards of excellence in schools with "benchmark" tests for those aged between seven and 14.

Mr Baker highlighted plans for a reorganisation of the state sector, which will be included in the Conservative election manifesto. He said: "What we have to do over the next five years is to increase choice."

The proposal for a national curriculum was, Mr Baker said, "a striking example of how Conservative thinking and the Conservative Party are determining the terms of the education debate. We set out the idea for a national curriculum, and it is now accepted by the Labour Party."

Mr Radice has, in fact, been discussing such an idea for some time, and he developed it in a speech to Labour's local government conference in Leeds on Saturday.

He proposed a new education council including representatives from the local authorities, teachers' unions and parents' organisations as well as independent experts.

The new council would discuss "a national curriculum and the outlines of a new system of assessment and lay down an agreed system of national standards or benchmarks of achievement," he said.

Among other proposals, according to Mr Radice, might be the setting of minimum standards of provision. This might involve joint discussions, perhaps on an annual basis, on what an acceptable minimum level of spending on books, equipment and teachers should be. The Government's Inspectorate should be obliged to publish an annual report on each local education authority using these minimum standards as one of its benchmarks.

Mr Radice also proposed that as part of a charter of parental rights there should be a new education ombudsman linked to a network of education advice centres.

## Bank holds back bulletin after leak

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

THE BANK of England has decided not to send out advance press copies of its latest Quarterly Bulletin because of concern that parts of the last issue were leaked in advance to participants in the gilt-edged market.

The bulletin, which is traditionally sent to journalists one or two days in advance of its release time, is due to be published on Thursday afternoon.

The Bank decided against sending out embargoed copies because of evidence that a forecast in the December bulletin of a rise in the oil price to $18 a barrel was widely known in the gilt-edged market ahead of publication.

The forecast contributed to a rise in gilt prices, and one agency broker complained to the Bank that those with advance knowledge had an unfair advantage over other participants in the market.

It appears that details of the forecast were discussed by one or more journalists at a City of London lunch at which representatives from at least one gilt-edged market-maker were present. The Bank has taken the view that any repetition of such a leak in the present City environment could be damaging to its reputation and that the only way to prevent it is to suspend the system of issuing embargoed copies.

It will, however, be releasing advance copies of specialist articles in the bulletin which are not seen as market-sensitive.

## Contracts and Tenders



## Company Notices

## UK NEWS

# TV fees 'could lose BBC viewers'

By Raymond Snoddy

IF subscription payments were to replace the compulsory television licence fee there would be a significant fall in the number of people who would choose to have BBC channels.

This is one of the preliminary findings of research into the workability of subscription television commissioned by the Home Office in the wake of the Peacock Report into the future of British broadcasting.

CPS International, the communications consultants carrying out the research, has found that there are wide differences in attitudes to subscription and the BBC.

Market research suggests that the ABC1 social classes on the whole would be prepared to pay monthly subscription fees at least equivalent to the present licence fee of £58 for colour television. The C2-D2 social groups would be much less prepared to pay as much.

The issue is complicated by a group of semi-skilled and skilled workers who probably would be prepared to pay for BBC channels because they are heavy users of television.

CPS is not due to report its findings to the Home Office until April but first indications are that it believes subscription television is both technologically and economically feasible. The methods include the use of "smart cards" or microchips in the television set to record when it is being used.

The main reservations are likely to be the social implications and whether the economic benefits would outweight the social divisiveness of the subscriptions.

CPS has been looking at three propositions. The first is the scrambling of all Britain's television channels with the proceeds handed over to the BBC – in effect just a different way of collecting the licence fee. In the second all channels would be scrambled but there would be a mixture of subscription and advertising on all four.

The third – and the one that is being most seriously considered – would involve the scrambling of just the two BBC channels and subscription either replacing or supplementing the licence fee.

If significantly fewer people are prepared to pay a voluntary subscription for scrambled BBC channels the danger is that the relative costs would rise for the minority who chose to subscribe. The effect would also be to undermine seriously the economics of commercial television.

The audiences watching ITV would be artificially boosted and because advertisers could reach their desired proportion of the population more quickly they would not need so many advertising slots and the price of airtime could fall.

Mr Douglas Hurd, the Home Secretary, has made it clear that the Government is sympathetic to the principle of subscription but wants to see full CPS report before taking any decision.

# Rover likely to secure aid and avoid closures

BY PETER RIDDELL, POLITICAL EDITOR

THE ROVER GROUP, the state-owned and truck company, is likely to secure a large part of the £350m-£400m of financial support it is seeking for its Austin Rover volume car subsidiary.

However, any package, expected to be announced at the end of the month, is likely to involve a firm commitment to privatisation before long and possibly also much closer links with Honda of Japan.

This should mean no major plant closures for Austin Rover and no need for any large-scale redundancies in the pre-election period in marginal West Midlands constituencies. But it is recognised in Whitehall that the sale of Leyland Trucks to either Daf Trucks of the Netherlands or Paccar of the US may be accompanied by a major reorganisation and redundancies.

Senior ministers concede that the breakdown of talks last March with General Motors was a major setback. This was due to political opposition to the sale of Land Rover.

Final decisions have yet to be taken, but the signs from Whitehall and Westminster are that, as expected, Mr Graham Day, the company's new chairman, will win approval for much of his corporate plan which was submitted at the end of last year.

Mrs Margaret Thatcher, the Prime Minister, and her Policy Unit at Downing Street have been taking a very close interest in the plan. At recent lengthy discussions she has apparently questioned whether the plan will at last lead to profitability after the large-scale public backing of the past decade.

In her interview with the Financial Times last November Mrs Thatcher stressed that the group could not carry on indefinitely alone as a volume car producer without having an arrangement with someone else.

Ministers regard Honda as the only politically feasible collaborator, especially following last year's row over tentative talks with Ford.

Austin Rover and Honda have already agreed jointly to develop a middle-range car, the AR 8. Ministers hope that the Japanese company might take up to a nearly 20 per cent shareholding in the volume car subsidiary, which might be paid for by financing the development and tooling costs of the car. But there is still no agreement on this point.

The other major uncertainty is about the future of the AR 6 small car project which Mr Day said last week had not been cancelled.

Nevertheless, Tories with close motor industry interests suspect that this car may be dropped in favour possibly of an updating of the Metro, in view of Mrs Thatcher's scepticism about Austin Rover's future as an independent volume producer.

The Government's package is likely to involve a mixture of a write-off of debts on some of the subsidiaries which have been sold, an increase in borrowing limits and a limited direct-cash injection.

Tory MPs with motor industry constituencies are now relatively bullish about the outcome from their point of view while ministers will hope to satisfy Conservative members critical of further support for Rover by pointing to the disposals, privatisation plans and the record of Mr Day.

Leyland Trucks; Rover Sterling, Page 6

# Move to appease prison officers

BY JIMMY BURNS, LABOUR STAFF

THE HOME Office has written to all members of the prison service in an apparent effort to head off what it fears may be an attempt by some prison officers to undermine its proposals for radical changes in working practices known as Fresh Start.

In a letter delivered today Mr Eric Caines, the director of personnel and finance of the Prison Service, says the Home Office has since December been conducting negotiations on the proposals in "good faith" and expresses "regret" that the National Executive of the Prison Officers Association has instructed its members not to co-operate with pilot exercises in Fresh Start.

Mr Caines denies allegations made by association leaders that the Home Office is ignoring the current discussions with the unions and seeking to impose the Fresh Start proposals on its target date of April 1 1987.

Publication of the letter follows a strong attack made on the Home Office on Friday by association leaders.

The Home Office appears anxious to defuse growing tensions with the prison officers' union and to work toward a negotiated formula before the association's scheduled national conference in May.

Privately Home Office officials admit that some aspects of the Fresh Start proposals may be introduced after April 1 in some prisons even if there is no agreement with the union leaders. Nevertheless they seem to want to avoid a repetition of last spring when a prison officers' strike led to nationwide riots.

# Japanese give single status to electricians

BY HELEN HAGUE, LABOUR STAFF

A JAPANESE company which has a long-standing single union agreement with the General, Municipal and Boilermaker's union (GMBU) at a plant in South Wales has opted for granting sole recognition rights to the electricians union, EETPU, for a new plant in the area.

Matsushita Electric has signed a single-union agreement with the EETPU for its new office automation equipment plant in Newport, South Wales.

It is understood that the GMBU, which represents the collective interests of all workers at Matsushita Electric (National Panasonic) in the same area, also put in a 'bid' for a single union deal at the new greenfield site.

The group's decision to favour the EETPU for sole recognition at Kynshunu Matsushita Electric (UK) further boosts the union's track record of clinching such deals in the high-technology sector. It also represents a snub for the GMBU.

Details of the agreement between the company and the EETPU have not yet been finalised. However, it gives the union sole bargaining rights for the workforce, which will rise to 100 in the present temporary 'advance' factory, before moving into a purpose-built unit next year.

The Welsh Office is understood to be giving a grant, believed to be between £1.4m and £1.8m, towards the £8m cost of the new unit.

When Matsushita announced it had chosen South Wales as the location for its first office equipment plant outside Japan, it said it planned to seek an industrial relations framework "similar to that already in place at Panasonic."

# Telephone engineers expected to end strike

By Charles Leadbeater

LEADERS of the National Communications Union expect to be able to recommend 110,000 British Telecom engineers to vote on Wednesday to accept a two-year pay and productivity deal and call off their strike which started two weeks ago.

Union leaders were confident that a proposed settlement expected to be finalised last night would provide the basis for a return to work later this week.

It is understood that the deal, which involves three payments, is worth more than 12 per cent over two years.

The union's pay negotiators returned for a meeting with BT last night, to seek to extend bonus payments to all engineering grades rather than the restricted number BT had proposed. It is understood this was one of the final obstacles standing in the way of an agreement.

It is believed that BT has eased its demand for efficiency measures by modifying some proposals such as extending the length of the normal working day by 45 minutes.

It is likely the deal will allow BT to bring in the main changes to working practices it has proposed which would introduce greater flexibility to engineers' work.

However, the company may have gone some way to meet the union's demand that the 1986 pay award should not be conditional on the implementation of the efficiency measures.

Mr John Golding, the union's general secretary, said the expected settlement would be supported by an overwhelming majority of the union's members.

# Roadchef follows American example over shares plan

BY DAVID BRINDLE

ROADCHEF, the motorway service area operator, has become the first UK company to introduce an employee share ownership plan (Esop) on the model drawn up by Unity Trust, the trade union financial institution.

Under the scheme, the company has set up a £650,000 trust fund which will allocate free shares to longer-serving staff and will buy them back for tax-free sums when the staff leave or retire.

Esops have proved highly popular in the US, where 10m workers are said to be party to schemes. The Unity Trust model has been tailored for the UK and is seen as particularly relevant to companies undergoing management buy-outs.

Roadchef, an unlisted company with 700 permanent employees, was bought out by its management in 1983 and had since then been looking for a means of spreading its share base without weakening overall control.

Mr Tim Ingram Hill, the company's managing director, said: "We wanted to do something in recognition of the effort, commitment and loyalty of the rather longer-serving members of staff. We wanted to give them a cash benefit when they left, but we did not want to create a trading market in private company shares."

The idea of approaching Unity Trust came from the hotel and catering workers' section of the General, Municipal and Boilermakers' Union, with which the company has a national agreement.

Roadchef's senior managers went to the US and had discussions with four companies operating Esops. Once the idea was accepted, it was agreed that Unity Trust would arrange £350,000 finance towards the £650,000 necessary to set up a trust fund of 325,000 shares, 12.25 per cent of the total share capital.

The shares will be issued over a five-year period to staff on the basis of 100 shares for each year of service, subject to a minimum of three years' service and a maximum of 1,000 shares. About 35 per cent of the staff qualify at present, but 50 per cent will do so by next January.

To maximise the tax benefit, staff who leave or retire will retain the shares for five years from the date of allocation before they are sold back to the fund at a price assessed annually by an independent auditor.

Unity Trust describes its Esop as a "classic win-win-win situation." It plans to give the model scheme a wider launch at a conference in April organised jointly with the Industrial Society and New Statesman magazine.

# New towns seek US funds

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

THE Commission for the New Towns this week takes its property assets sales drive to the US. Sir Neil Shields, the chairman, plans to meet businessmen in Boston and New York as part of a campaign to induce them to invest in the English new towns.

Sir Neil's mission is the first by the commission overseas. The US was chosen because of the American capacity for quick decisions. "Japan is also a good source but could take three years," Sir Neil said.

The commission will be making a presentation of its wares to more than 100 businessmen in Boston, but the visit to New York is more of a reconnaissance and a further trip will be made there later this year by commission officials. The mission is taking place in co-operation with the Department of Trade and Industry.

Since the Thatcher Government came to power, the commission has been expected to sell off publicly owned property in the 13 towns under its administration. These towns are Basildon, Bracknell, Crawley, Harlow, Hatfield, Hemel Hempstead, Stevenage and Welwyn Garden City – all in a ring around London – and, further north, Central Lancashire, Corby, Northampton, Redditch and Skelmersdale.

Sir Neil said that his job in the US was not only to encourage property sales but to attract inward investment so that fresh jobs would be created in the new towns, especially those not in the London ring.

The commission has a £1bn portfolio of property assets for disposal. While sales around London have been going smoothly, they have been more sluggish elsewhere and in some of the more northern towns there is considerable empty factory space.

If the commission can fill some of this space with American companies then this would help to increase the value of the property assets in the towns where sales are slow. Inward investment would act, it is hoped, as a catalyst for growth and higher property demand.

## UK NEWS

**Nick Bunker continues our assessment of Big Bang with a report on regulation**

# City scandals help growing army of watchdogs

THERE was a tone of dry humour last week in the voice of Mr Colin Condren, one of the new breed of about 60 compliance officers who appeared in the City of London securities markets in the months leading up to the Big Bang deregulation.

His job is to make sure that staff play by the rules at Barclays de Zoete Wedd, one of the biggest market-making conglomerates on the London Stock Exchange. For him, the storm of publicity over the Guinness affair and other alleged City misdeeds has proved quite useful.

"It's come at rather a convenient time for the development of the compliance function," said Mr Condren, a veteran of the Bank of England and the now-defunct Council for the Securities Industry.

At BZW, staff now regularly appeal to him and his two full-time colleagues in the group's compliance unit for a double-check that a corporate finance deal or a portfolio trade is well within the bounds of best market practice.

Not that he has to show them the yellow card very often.

BZW – like other City conglomerates such as Hill Samuel – has had the advantage that a great deal of work rewriting and updating internal conduct of business rules was done before Big Bang.

This was because each of the firms that went to make up the conglomerate had separate rule books which compliance officers had to combine simply to bring into line their separate regimes.

"Our main job since Big Bang has been answering a lot of technical questions," Mr Condren says.

A few of those technical questions may nevertheless have to wait nearly six months to be answered. One hundred days after Big Bang – and three months after the Financial Services Act became law – the capital markets are only just entering the final stages in the construction of their new system of statutory self-regulation.

On Thursday, the Securities and Investments Board (SIB), the City's new central watchdog, finally approved its 600-page rule book. Mr Paul Channon, the Trade and Industry Secretary, is likely to tell MPs early this week that his officials have received the book and passed it on for comment to the Office of Fair Trading.

Assuming MPs and the OFT approve it by the end of April, allowing the Government to transfer statutory powers to the SIB, this summer should see what stock exchange officials are calling "Mini-Bang".

Coined by Mr John Young, the exchange's director of policy and markets, the phrase refers to the point at which the SIB authorises the


Securities Association as the new self-regulatory body for the capital markets.

At that point, the Securities Association's rule book – and the internal rules and practices of individual companies – will have to enshrine the principles laid down by the SIB to comply with the act.

At present, the association believes it is on course to apply for authorisation from the SIB in mid-May. It will have to include a draft rule book, to be approved by the SIB, and currently under preparation by 30 staff working under Mr Young (who doubles as the association's executive director).

Its task has been made much easier because the existing stock exchange rule book – and the amendments made to it to cover the new post-Big Bang dealing system – covered much of the ground, according to Mr Young.

The SIB also seems to have settled what threatened to become a row over the relative jurisdictions of the Securities Association, and the Association of Futures Brokers and Dealers (AFBD). Securities houses who want to deal in financial futures and options seem likely to be able to do so just by belonging to the Securities Association.

Only in one area is the Securities Association "working against the clock," says Mr Young. That area is "capital adequacy" – which means the drafting of detailed rules for the precise capital assets a house must have in order to make markets in a range of different securities (UK equities, international equities, gilts and so on).

This is the one issue where the investor protection principles laid down in the act (but largely derived from the old English common law of agency) have to be supplemented by "a great deal of complex mathematics," according to Mr Young.

It is, nevertheless, a topic of vital significance, according to Mr Andrew Large, the association's chairman. "Capital adequacy goes to the heart of the cost of doing business," he said.

Further, if the SIB, the association and the Bank of England get it right, they will have achieved a great deal indeed, Mr Large believes. They will have gone further than any regulatory system in the world towards a system of prudential supervision adequate to the new risks inherent in trading a wide range of complex, unfamiliar securities.

The SIB's draft capital adequacy rules appeared last November as the last, most complex and possibly most controversial section of its rule book. Put simply, they say that investment businesses must calculate the riskiness of the portfolio of securities which they hold, so as to determine their capital requirements.

"We are asking – across all the many different types of securities now traded – just how much capital you need in order to run positions," said Mr Young.

An advantage here was that much of the work was actually started by Isro – the international securities' dealers organisation – before it merged with the stock exchange to form the Securities Association last December.

That included, for example, complex statistical analysis carried out last year by Wood Mackenzie, the stockbroker, to measure the probability of given price changes in given types of securities over specific periods.

There was also a need – because monitoring of capital adequacy strays into the Bank of England's traditional job of banking supervision – for liaison between the Bank, the SIB and the Securities Association.

It is hardly surprising that the association has plans to increase its staff to about 125–150. That will occur, says Mr Young, when it takes on responsibilities for actually authorising and monitoring investment businesses.

Similarly, the 80-strong staff of the SIB is expected to expand as the emphasis of its work shifts from the formulation of rules and policy to the actual practice of handling cases for investigation and possible prosecution.

*According to Sir Kenneth Berrill* – aged 66, and now half-way through his term as the SIB's chairman – the SIB is already looking for new premises to house extra staff. He expects the SIB's staff to grow by not less than 50 per cent.

Meanwhile, at companies such as BZW, the foot soldiers of the post Big Bang capital markets still have to be put through their paces. Over the past week or so, some 800 employees have been taking turns to stay for two hours after work for a lecture on the nuts-and-bolts of self-regulation.

**Tomorrow: the equities market**

# Leyland captures leadership of British heavy truck market

**BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT**

LEYLAND TRUCKS, which the Government has put up for sale, made a good start to 1987 and captured UK heavy truck market leadership from Iveco Ford Trucks in January with 761 registrations, up from 748 in the same month last year.

So the uncertainty about Leyland's future does not seem to be damaging its sales performance.

Mr Graham Day, chairman of the Rover Group, Leyland's parent, says negotiations with DAF of the Netherlands and Paccar, the US company which owns Foden in the UK, about the sale of Leyland Trucks or some kind of collaborative venture, should be completed within two weeks. He hopes a deal will be concluded within 60 days.

Iveco Ford, the joint Fiat-Ford company set up mid-way through last year and which was market leader in 1986, pushed its sales up last month from the unusually depressed 540 in January 1986 to 705.

Daimler Benz, the Mercedes group, also showed strong growth with 643 registrations last month compared with 500 in January last year.

Volvo, meanwhile, moved past both Renault Truck Industries (RTI), the Dodge group, and Bedford, to take fourth place in the heavy truck (over 3.5 tonnes gross weight) league with 487 registrations against 339 last year.

RTI sales improved from 363 to 399 while Bedford, the General Motors subsidiary which stopped making medium and heavy trucks – apart from a few military vehicles – in December, dropped from 464 to 253.

Sales of heavy and articulated trucks fell by 2.54 per cent from the January 1986 level to 4,303 last month, according to the Society of Motor Manufacturers and Traders.

However, total commercial vehicle sales increased by 10 per cent to 25,250 in January compared with the same month last year.

The importers' shares fell from 41.14 per cent to 35.95 per cent.

The largest percentage rise was in the light van sector which last month increased by 25 per cent to 10,964. The performance was distorted because the new Ford Transit, Britain's best-selling commercial vehicle, was in very short supply in January last year just after its launch.

Transit registrations were only 1,856 in January 1986 but rose to 4,699 last month.

Bedford seems to be feeling most of the impact from the new Transit – *its panel van sales for the month* fell from 1,267 to 869. But the Rover Group's Sherpa van did well in spite of the new competition from Ford with sales up from 1,190 to 1,384.

Sales of car-based and mini-vans increased slightly in January from 8,381 to 8,494 while registrations of light four-wheel-drive commercial vehicles rose by nearly 10 per cent to 1,382. Within that total, however, Land Rover sales fell from 712 to 693.

Bus and coach sales continued to drop sharply and in January were down by 22 per cent to 107.

# American car dealers value Rover Sterling

**BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT**

"WE SOLD the first car immediately. Four more went out the door as quickly as our mechanic could prepare them. All the first 20 cars we have been allocated have been set aside for customers, sight unseen – just from the brochure. But several customers are not sure about colour. So they want to look at them before they finally decide to buy."

Mr Tim Lewis of Cormier Sterling, Long Beach, California, was talking about the reception given to the first of the Rover Sterling cars which have just gone on sale in the US.

*Mr Lewis said he is feeling more* confident than ever that the car, a version of the Rover 800 executive model which marks the state-owned Austin Rover's return to America after an absence of several years, will be successful there.

"We are going ahead with expansion plans for the dealership because the first reaction has been so positive," he added.

That confidence was partly instilled by competitive retail pricing. The Sterling 825S is on sale at $19,000 (£12,300) while the better-equipped SL costs $23,900.

That puts the Sterling about $1,000 in price below Honda's Acura Legend, not only a direct competitor but the other product from the joint project between the Japanese group and Austin Rover from which the Rover 800/Sterling emerged.

"Frankly, I was surprised at the prices. I expected the 825S to be about $21,000," Mr Lewis said. "That's why we are so confident."

At the San Francisco Auto Center, one of America's first car "supermarkets" where the Sterling is on sale alongside Rolls-Royce and Bentley models and will shortly be joined by Range Rovers in what owner Mr Martin Swig dubs "our British corner," a third of the first 20 cars have been sold.

However, like other dealers, he is far less enthusiastic about the fact that the dealer's margin of profit fixed by the import company, Austin Rover Cars of North America (Arcona), is only 12.5 per cent against the 18 per cent which is normal for up-market cars in the States.

"There is no shortage of European cars in the US, and if the war hots up, we have very little room for manoeuvre with the Sterling," Mr Swig points out.

Arcona has committed itself to take 27,000 Sterlings this year and 50,000 in 1988. This year's consignment will be worth about $400m (£280m) to UK exports

Pirelli UK

# A painstaking route to job security

## Charles Leadbeater on the result of flexible industrial practices

"TO COMPETE we have to change. To change we have to have the trust of the workforce. To win that trust we have to maintain full employment. As soon as people are made redundant that trust goes."

The speaker is not a politician, but Joe Denton, manufacturing director of Pirelli UK, the tyre manufacturer.

In the coming years, the trust of the workforce will be vital to a company which is apparently on the verge of attempting an industrial conjuring trick. Manufacturing companies throughout the country are investing in new technology in order to rationalise production and shed labour, but Pirelli is going in the opposite direction.

In a highly competitive market, the company plans to invest £35m in new technology which will raise labour productivity by about 50 per cent. And far from laying anyone off, the company expects to recruit workers in the next few years.

For those who argue that Britain needs a revitalised manufacturing sector to fill the gap left by oil's falling contribution to the current account, Pirelli's experience offers a possible approach.

But the news for those politicians who urge government investment in manufacturing to produce jobs is not all good. Expansion at Pirelli is not simply the result of investment in new technology to launch new products. It has required painstaking work by both workers and managers over several years to develop a new philosophy of work and production. This fresh approach covers topics from the fine detail of more flexible working practices to the "grand design" of integrating areas like design, sales, finance, and production into a coherent whole.

How has Pirelli managed to create the rare virtuous circle of high investment, rising labour productivity and expanding employment?

The arithmetic is simple to explain. The investment will help Pirelli produce a new truck tyre which it hopes will boost sales. The company is starting from a low base in the truck market: it has just 7 per cent of replacement, and 4 per cent of original sales.

This extra output will maintain employment at its factory at Burton upon Trent, Staffordshire, while some of the car tyres produced in the Midlands will be transferred for production at its other UK plant in Carlisle, where employment is expected to expand.

But the deeper explanation lies in the company's four-year effort to convince the workforce that modernisation and competitiveness are not only compatible with job security but prerequisites for it.

In 1982 the company was haemorrhaging. The management's response to heavy losses was to lay off 700 workers through a voluntary redundancy programme. In the following year costs were cut by £2m more than the £5m target management had set itself.

"The aim of this rationalisation was not to cut for its own sake but part of a positive programme to start making better use of our resources," says Sandro Veronesi, Pirelli's UK managing director.

At the core of this programme was an expansion of employee involvement. The company stepped up its direct communication with employees and Denton gave small groups of workers presentations on performance, profitability and prospects.

This communications initiative was backed up by change on the shop floor. Workers joined groups set up to tackle particular production problems, quality control, the lay-out for the new production lines. The company is continuing to pass responsibility for simple maintenance and quality control back to shopfloor workers. Semi-skilled production operatives have been trained in statistical quality control techniques.

These developments were combined with heavy investment in retraining. The company built its own training centre at a cost of £250,000. All workers spend at least five days a year training. The 100 maintenance engineers at Burton are about to be sent on a training programme spread over 18 months—run in collaboration with the local technical college.

Taken together the expansion of employee involvement and retraining have allowed Pirelli to introduce wide-ranging changes in working practices and raise productivity. "We now have total mobility among production workers," says Denton.

Maintenance engineers, freed of supervisors to direct them to faults, now have the responsibility to arrange their own working days. "They scour the plant for work rather than waiting to be told to go and find it," says Denton.

The company eventually aims to simplify skilled grades to produce two categories of multi-skilled worker: electrician instrument controller, and engineer/machinist.

This flexibility over tasks has been combined with some flexibility in working time, and there are small groups of workers who are contracted to attend their machines only when production is in progress. If production is halted for a specific time, they can go home.

These changes introduced between 1982 and 1985 helped move the UK factories up the league table of Pirelli's 117 plants worldwide. In 1981, the Burton factory was 117th in terms of labour productivity. By last year it had climbed to fifth place, with Carlisle at the top. By minimising downtime, the two factories have risen to first and second place in the capital productivity league table. "Pirelli UK workers are among the best paid in the company worldwide, but our unit labour costs are among the lowest because of such high productivity," says Veronesi.

A year ago it seemed the plants had reached a productivity ceiling. It was then that senior managers began to explore the possibility of major investment combined with the introduction of Just in Time production.

"Just in Time is not a production technique but a philosophy of work. We tried to introduce it in a factory in Italy six years ago but we had not prepared the workforce for change. We are introducing it successfully here because we have spent many months preselling the idea to the workforce," says Veronesi.

Sandro Veronesi (left), Martin Wood (right) and Joe Denton, who says: "Our workers deserve to be involved in decisions about their future and about the character of production"

Teams of workers drawn from all stages of the production process work in cells which integrate all the separate production jobs in a small area. Within the cell, the team decides how work should be carried out: all 11 workers in a cell are able to do any of the separate jobs.

At briefings to discuss the changes, the workers air their doubt and enthusiasm for change. Tiring jobs like X-raying tyres to check for faults will be shared out. Shopfloor operatives will be given the authority to stop production—normally a management prerogative—if the flow of work is uneven or quality deteriorates.

The introduction of JIT production, dubbed "Japanese Invasion Technique" by the shopfloor, has already raised productivity and cut costs. But it has also created pressure for change elsewhere in the company.

In the past year, the sales team has been encouraged to move away from spot sales and win longer contracts to create an orderly flow of work for the factory. This redirection of sales energy has required the sales department to become much more closely entwined with production.

"To get the sales force to push for these longer contracts, they have had to understand the production side of the business—what our real economic margins are rather than just what discounts they can offer. They also have to be far more aware of the business pressures on customers. So we have had a big sales training programme to make them more generally aware of business pressures," says Martin Wood, director of sales and marketing.

The interconnection between sales and production has now gone one step further. "The factory is now so impressive — the mood of the workforce, the new technology, the streamlined production — that it has become a positive selling point for the company and the tyres. We invite customers to come and see it," says Wood.

Pirelli does not offer a lifetime employment policy along Japanese lines but it does have some of the classic "Japanese" ingredients: security of employment combined with great labour flexibility within the company.

Denton says: "Our workers deserve at least two things: first, stability of employment, a predictable future, second, our respect. They deserve the responsibility and authority to be involved in decisions about their future, about the character of production."

The transformation in the company is perhaps best summed up by Denton's own presentations to workers. In early 1983, he talked of the measures which had to be taken to survive, with the warning: "Some of you are still destructive."

In 1986 he described the coming of JIT production: "All of us need to develop an attitude of continuous improvement, never forgetting that we are working together for the common good."

Last year's presentation ended with what has become the Pirelli manifesto: "We need a competitive edge. That leads to volume, which is created by giving customers value for money, which amounts to good quality, good service, competitive costs. That comes from efficiency of manufacture, which requires the participation of us all, and creates job security and a future."

# How much should government do?

## Michael Skapinker on management training

WILL 1987 be the year when Britain finally begins to improve its management education? The subject will certainly be fully debated this year, with the publication of two major reports, one by Professor Charles Handy, formerly of the London Business School, and one by Dr John Constable, former Director General of the British Institute of Management.

Some expect the reports to fuel the debate in the coming general election over what should be done to improve Britain's industrial performance. But what role can the government actually play in the development of the country's managers? Is it not a matter principally for employers and education institutions?

Because training and development of staff have traditionally been seen as the employer's responsibility, the government is to some extent an outsider, Mike Beck, head of management development policy at the Manpower Services Commission, told a recent conference at Ashridge Management College.

But this does not mean that the Government has no part to play. Speaking in his personal capacity rather than on behalf of the Government or the MSC, Beck suggested that the Government's role could be divided into four categories.

● The Government as leader. The Government, Beck said, needs "to provide a clear vision of where we want to be, and how it is we intend to get there." It also needs to establish a single focus for management development activity.

At present, he said, "there is a problem in that there are many interests—the Department of Trade and Industry, because it speaks for management as a whole, the Department of Employment and MSC, because of their interests in training the whole workforce, and the Department of Education and Science because of its interest in educating everybody."

Even if it means setting up another small quango, he said, "I believe the time is rapidly approaching when there will be sufficient will and understanding for a single focus to be established—a place with links into Whitehall, education and industry." This "focus" should be a forum of all the major interest groups, he said. "It needs to involve employers and individual representatives of the whole workforce."

● The Government as catalyst. The Government should attempt to identify which investments in management development have resulted in improved economic performance. It should then give appropriate publicity to these.

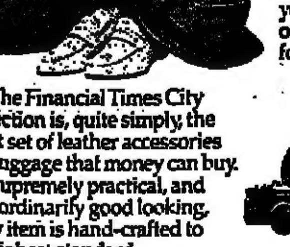
The Government also has a role to play in research, Beck said. Although much of the research into management education and development takes place independently of the Government, "a balance has to be struck between waiting for investigations to take their natural place in the market, and identifying those areas which are important from the national point of view to be worked up quickly. Similarly, a case might be made for (government involvement in) certain work which is either very long term in its pay back period, or is high risk in an investment sense," he said.

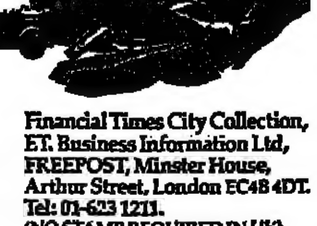
● The government as establisher of infrastructure and systems. The Open College, due to come on stream later this year and aimed at providing learning materials up to degree level for the adult population, will include management subjects. Another MSC development, Training Access Points, will provide on-line information on what training opportunities are available in specific subjects.

● The government as regulator of standards. Beck suggested that thought be given to the establishment of national management qualifications. "With the breakdown of traditional employment patterns, it will become more important for individuals, whether working under short-term or long-term contracts, to be able to demonstrate their capabilities. There are also pressures from other quarters to try and identify a matrix of skills and competences required by managers to do the full range of managerial jobs," he said.

"This will probably require some development work and investigative studies to ascertain whether it is feasible. Whether it is or not, there will still be pressures to reach, where possible, nationally accepted standards to aid transfer from one job to another," said Beck.









# THE MONDAY PAGE

## When judges are on trial

JUSTINIAN

THERE HAS been, understandably, a plethora of emotional reaction and, less understandably, much sloppy thinking in public comment about the prison sentences passed by Mr Justice Leonard in the Ealing vicarage case. If there is any criticism to be made of the judge, it is confined to his apparent inability to persuade the public fed, sensationally by the press, that the sentences in their totality were entirely appropriate.

The first point to make, without too much elaboration of the adjustments to be made for the particular case, is that the judge appeared to conform to the guidelines laid down for sentences in rape cases, formulated a year ago by the Lord Chief Justice.

If there be any complaint, it should be directed at the guidelines. But assessing the period of imprisonment for an offender is not a mathematical calculation. Within the range of sentences there is no "right" or "wrong" sentence.

The art of sentencing is not so much the actual punishment, but the manner in which the sentencer communicates the reasons for a particular sentence. In short, judges need to be acutely aware that public relations are of great moment in the process. It is on this score that one might fault Mr Justice Leonard, but even in this respect his remarks were probably wrenched out of their context, and even misreported.

Judges are handicapped by the fact that the prosecution is strictly not permitted to play any part in the sentencing process. Its role in the civilised trial ceases at the moment of the defendant's conviction. At this point in the criminal process the trial is no longer adversarial; the judge abandons his Olympian aloofness and engages in a dialogue with the convicted person's counsel whose duty it is to mitigate the offence and persuade the court towards the most "lenient," and not necessarily the approriate sentence.

The remedy for dealing with inadequate sentences is not the mechanism favoured by the Government in promoting a clause in the Criminal Justice Bill, now wending its way through the parliamentary process. That clause provides that the Court of Appeal, on reference by the Attorney-General, will look at the sentence passed by the trial judge and pronounce on whether or not the principles and guidelines followed by the judge were approriately applied in the particular case, and issue further guidelines for the future, in necessary.

If that provision becomes law, and if (for example) the Ealing vicarage case were to be referred to the appeal court judges, the result would be an idle exercise. The Court of Appeal would endorse what Mr Justice Leonard had done, and the press would have another field day in berating the Court of Appeal, to no discernable advantage to anyone.

What is more relevantly needed is a refined sentencing process at trial. The Crown at trial is not just a prosecutor endeavouring to affix criminal responsibility. It is the public's representative in the determination of the purpose of the criminal process—namely, to deal appropriately with those convicted of criminal offences.

There is something obnoxious and un-English about a prosecuting counsel advocating a particular sentence, although in other civilised systems of criminal justice the prosecution actually "moves" the court to pass a particular sentence.

The range of sentences available, the impact of parole on sentences and the availability of accommodation within the prison system and of the alternative non-custodial penalties are all matters upon which the prosecution can materially assist the sentencing judge in the difficult task of selecting the appropriate penalty. Two recent innovations in the trial process already point in the direction of participation by the prosecution.

Until the introduction of the Crown Prosecution Service last October it was impossible to effect a uniform policy of the prosecuting authorities. But now, with a single service throughout the country, it is possible for the Director of Public Prosecutions to lay down a consistent penal policy that would be reflected in every Crown Court in England and Wales. Judges would know what that policy was in relation to criminal cases brought to the courts. Second, the Drug Trafficking Offences Act 1986 and similar provisions in the Criminal Justice Bill require the prosecutors to initiate and involve themselves in the process of search and seizure of ill-gotten gains and to apply for confiscation of assets after conviction. A similar, limited involvement has existed since 1972 in the process whereby offenders in certain circumstances could be subjected to orders of criminal bankruptcy.

If trial judges were to be put in possession of all relevant matters pertaining to offenders and their offences, there should be few, if any, occasions for the kind of public disquiet exhibited this last week. There would be no need for the proposal to provide an appeal to the Court of Appeal to review "lenient" sentences. An occasional, judicial aberration could be readily accommodated within a more rational sentencing process at trial, which should satisfy any reasonable public demand for justice alike to the offender, the victim, the immediate community affected by the criminal event and society as a whole.

## Lessons from the Zircon affair

JOHN LLOYD

THE ZIRCON *spy* satellite issue has thrown up a series of responses, most of them bad. At the root of all is the vexed matter of national security.

We do not know how to act when it is invoked, for the rules governing its preservation are arbitrary, or obscure, or both. The *Official Secrets Act's* section 2 is justly famous (see Malcolm Rutherford, "Politics Today," FT February 2) for proscribing the communication or discussion of anything that happens in government, and has attracted a wide constituency for reform. Less well known is how national security matters relating to defence expenditure are reported to Parliament.

The Public Accounts Committee has had an agreement with government since 1982 that it will be informed of all major expenditure incurred by the Minister of Defence. That agreement was drawn up in the wake of the discovery that the Polaris modernisation (Chevaline) programme had cost the taxpayer some £1bn through successive governments with the ignorance of successive parliaments.

The 1982 Agreement was designed to mark a break. All major defence projects, now defined as those expected to cost over £250m, or incurring project developments costs of over £10m, must be reported to the PAC. It was this agreement which Mr Duncan Campbell's spy satellite film, which issued as an article in the New Statesman after the film was dropped from the BBC2 Secret Society series, claimed had been breached.

Mr Robert Sheldon, the PAC chairman and an ex-Labour Treasury Minister, says he does not believe the agreement was breached: Sir Gordon Downey, the Comptroller and Auditor General whose job it is to report to Parliament, has let it be known that he believes Zircon will not exceed £250m.

But it is not clear if the project has exceeded the £10m development cost criteria; or if the total costs referred to by Sir Gordon *include launch costs* (*most* experts insist that a satellite costs over £400m, including over £100m launch costs); or if an escape clause in the 1982 Agreement which appears to offer the Comptroller discretion on reporting very highly classified projects to the PAC was invoked in this case; or if *that clause is regarded as* valid by PAC members.

As Mr Sheldon admits, the Ministry of Defence has been adept at concealing expenditures in the past by hiding parts of some programmes in others, and may still be doing so yet. The charge that Parliament has not been told of the project when it should have been has not been dismissed: and its rehearsal has already made clear that the rules governing the reporting of major project statements are at best nuclear.

The first bad response has been to accept that the rules have been followed on the basis of a speech in the Commons on January 27 by Mr Sheldon, which no one subjected to examination. National security is accepted as being complex: questioners are met with massive disapproval, or unmanageable complexities, and do not continue.

Second, the sanctity of the concept has acted like a nerve gas on the opposition. Mr Neil Kinnock's swift agreement with the Prime Minister that national security had been breached (before he and his colleagues had seen the film, read the New Statesman article, or done other than receive a briefing from Sir Geoffrey Howe and senior officials) reveals the awesome power of national security.

Mr Kinnock's action is defended by his colleagues on the grounds, not that he made the best of two bad choices—but that he had no choice. The Leader of Her Majesty's Opposition cannot but agree with the Prime Minister of the day to offer support on national security grounds; public and political opinion would not tolerate otherwise.

Bad response number two. Why should any opposition be so trammelled over these central matters? A greater openness on, and sharper definitions of, national security could remove the burden of automatic assent from oppositions.

Third, the issue has focused attention on the role and scope of investigative journalism: and it has seen a conflation, on both left and right, of this type of journalism with *left politics*. The fact that a left-wing journalist wrote the article and that it should appear in the left-wing New Statesman was, said the Prime Minister, with heavy emphasis, significant. For their part, many on the left suggest that the present government is uniquely secretive, and thus uniquely hostile to investigators, because *it is* right-wing.

Bad response number three. Such an equation, of socialism with scoops, is inconceivable in the US, where the press is arguably freest and where such revelations are accepted as the everyday stock-in-trade of newspapers both liberal and conservative. It is bad for both journalism and politics if that equation is accepted, for it is nonsense.

Allied to this has been an attack on the motives for printing the article as being "political." Politicians and public tend to overdo this, not appreciating the journalist's delight in getting a good story, whatever its political ramifications. But the element is clearly present in this case: Mr Campbell's *beliefs* incline him more towards certain investigations than others.

Once again, that that should be thought other than wholly natural in a democracy with a pluralist press is astonishing. Exposés and investigations of the Labour Party and the trade unions by journalists and newspapers of the right have been rather more frequent than revelations on defence. Many of these exposés have had substantial elements of truth in them, and have *performed a public service in* being aired. The fact that a bias this way or that should provide the energy *for* investigation at its inception is not alarming: so long as the journalism is good enough to submit itself to a test of accuracy and fairness in the end.

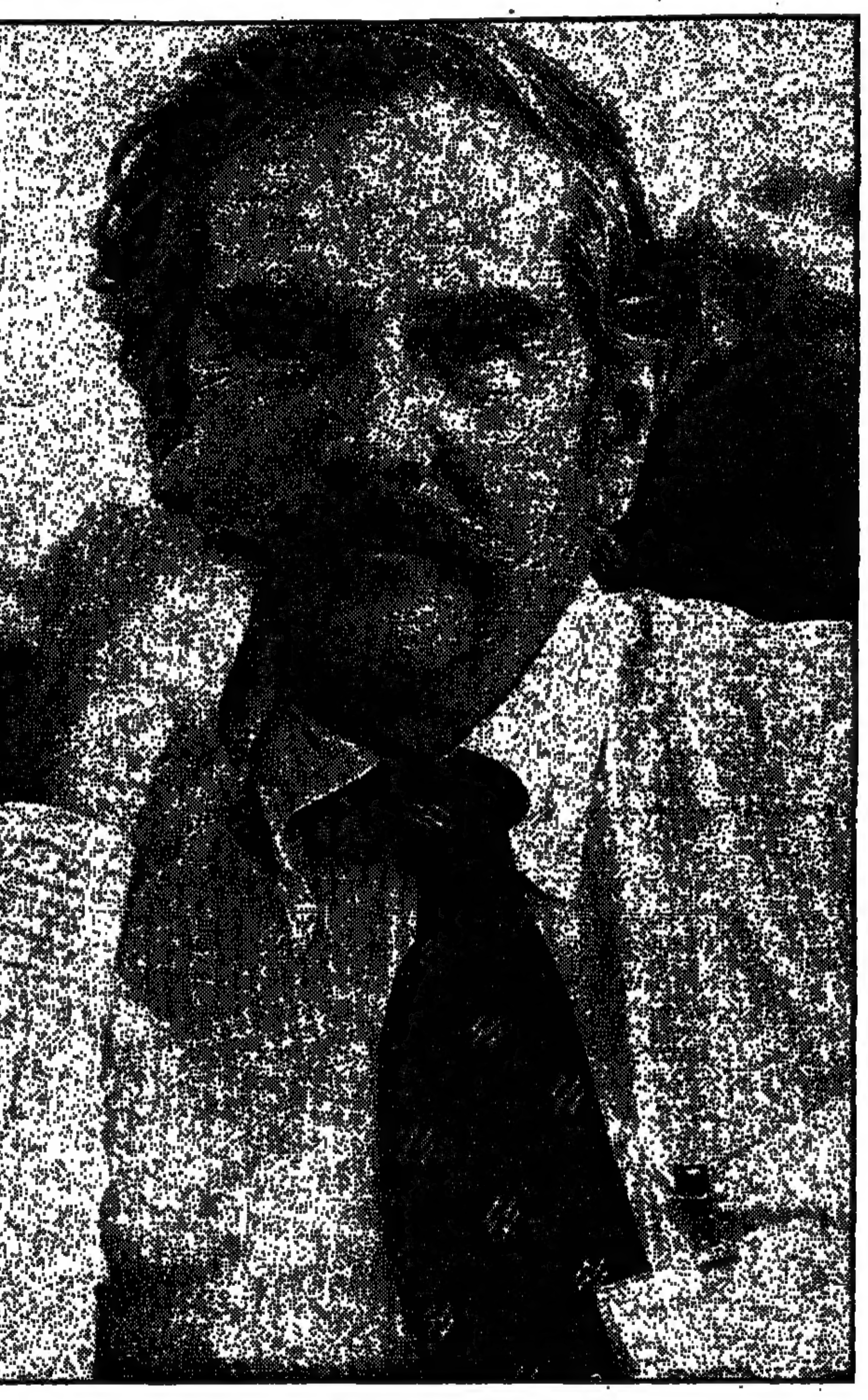
Three bad responses: three signs that we are a secretive, suspicious people still. The good news is that a spectrum of support has revealed itself for libertarian values; and that the more ridiculous aspects of secrecy have had a harsh light shone on them.

John Lloyd is editor of the New Statesman

INTERVIEW

## A U-turn in Silicon Valley

**Louise Kehoe** talks to Charlie Sporck, the champion of US microchip makers



STANDING six foot five, with a handlebar moustache and a shock of unruly grey hair, Charlie Sporck, president of National Semiconductor, looks more like a riverboat gambler than a Californian microchip maker.

Indeed, Sporck is a risk taker, and proud of it. "I like the title entrepreneur," he says. In Silicon Valley he ranks as one of the original business builders whose wager on his own ability paid off.

Today, with chances of survival among America's merchant chip makers lessened by Japanese competition, Sporck is playing against the odds.

He has set out to turn the tables on the Japanese and is developing an audacious game-plan to create a co-operative manufacturing venture called Sematech, combining American chip makers with suppliers and customers. The billion-dollar cost would be borne by government and industry.

The plan is to create an advanced production facility that would serve as a development platform for next-generaiton technology. This would eliminate duplication of research and development spending by US chipmakers. By drawing in equipment vendors, he hopes to lessen antagonism between the chip makers and their suppliers by establishing standards for new equipment. Major customers, such as US computer makers, would also share their expertise and funds.

A few years ago, such industry-wide co-operation would have been unthinkable, let alone the idea of government intervention to shore up the proudly independent US chipmakers. But a lot has changed in the 28 years since Sporck arrived in Silicon Valley.

At 59, he is one of the valley's senior statesmen, a leader with a reputation as a tough task master, a tight-fisted, table-banging, no-nonsense manager and an aggressive competitor—"Attila the Sporck," as he used to be nicknamed.

Nowadays he is more friendly. Maybe he never was quite as ferocious as the legend has it, and concealed behind the public persona is a man whom all employees find approachable and informal.

Sporck is driven by a belief that his industry plays a critical role. He likens the semiconductor business to the roots of America's industrial tree. "If the roots remain healthy, existing branches will be strengthened and continue to grow, while new branches sprout. If the roots die, the entire tree will follow."

His career has spanned the beginnings of US semiconductor production, its rapid growth, its decline and now its potential annihilation in the face of Japanese competition.

Sporck laughs as he recalls the early days at Fairchild Semiconductor, Silicon Valley's first commercial chip company, where he and many of today's industry leaders began their careers. "I was hired in New York by two guys who were tanked out of their gourds at 10 in the morning. They interviewed me and hired me over lunch. I was making $8,000 at the time and they offered me $13,000, which I thought was unbelievable. I accepted on the spot, went home, sold the house, packed up the kids and drove to California.

"And when I got there they didn't know me from Adam. They had already hired another guy for the same job — that was the nature of the business in those days."

Despite such an inauspicious start, Sporck went on to become general manager of Fairchild. "I had the very good fortune of coming into this industry when I was almost the only guy here with any manufacturing skills," he says.

In 1967, he made his big move. He quit the security of Fairchild to take up the reins at National Semiconductor, then a transistor manfacturer with annual sales of $7m. It was close to bankruptcy.

"We turned the company around in a weekend. We just structured the company from a cost standpoint to relate it to revenue"—a nice way of saying that he fired half the 600 production workers. National was profitable by the end of the first quarter after he arrived.

Although he makes it sound simple, National had some tough times in the early days. According to industry lore, Sporck and his fellow managers spent their weekends hand-packing shipments.

Ironically, many of the tough tactics later employed by Japanese companies were National's hallmark in the 1970s.

Sporck's description of the company's entry into the digital logic circuits market (taken from The Big Score, the billion-dollar history of Silicon Valley by Michael S. Malone, Doubleday), bears an uncanny resemblance to the Japanese takeover of the world market for dynamic random access memory (DRAM) chips:

"We chose, after linear circuits, to enter digital logic in the 1969-1972 period . . . and we went into the market with a vengeance. We were just plain heartless on price. We kept driving the price until one by one the other guys started leaving the game . . . We now had a sizeable market share that gave us an economic scale, so we were no longer at any disadvantage."

Those were the glory days of the US semiconductor industry, the days of what Sporck describes as "violent aggressive antagonism" between competing manufacturers.

National initially took on the Japanese with the same verve. "We are at war with Japan, not with guns and ammunition, but an economic war with technology, productivity and quality," he told his employees six years ago.

At the time, many regarded Sporck as an alarmist who was overstating the threat of Japanese competition. He and others who formed the Semiconductor Industry Association, to represent the industry's problems in Washington, were labelled "Japan bashers."

But he has stuck to his guns. "I have felt for many years that the industrial base of the United States was in trouble, that there were some real disadvantages in our country's approach to industrial competition. The environment created by Government policies clearly puts industry at a disadvantage."

He does not blame the Japanese. "If I were in their shoes I would be doing exactly what they are doing, and have done. They are right. They are improving the industrial strength of their nation, which in turn improves their economic strength and their standard of living."

Co-operation has replaced competition as the by-word for survival in the US semiconductor industry. National, like other US manufactures, is forming alliances with customers and competitors. The industry is jointly backing research and development projects to counter the impact of "Japan Inc". Sporck's proposals for a combined manuacturing effort would take co-operation even closer to the marketplace.

"The trend toward co-operation is very healthy because it demonstrates the flexibility of the people in this business. We see a challenge and we are coming up with ways to address it, as opposed to being cast in concrete," he says. Leaders of other industries that have fallen prey to foreign competition — steel, automotive, textiles and consumer electronics—were too slow to adapt, he implies.

But how long can the independent chip maker survive? Surely the trend towards co-operation is just a precurser of industry consolidation? "On that we have not changed. I've long said that if our independence was threatened we would react violently. I still feel that way. I am not interested in selling a portion of National to anybody."

He is also adamant that semiconductor producer cannot flourish in the ownership of large conglomerates in the US, this is despite the success of Japan's Ziabatsu.

Others think Sporck will have to change his mind on this, just as he has been forced to on other US semiconductor business credos. It is just three years since executives, including Sporck, told congressmen that the Government should maintain an "arms length" involvement in the industry if it was not to stifle creativity. Now it seems inevitable that the industry is turning to government for funding.

For years a registered Republican and a champion of free trade, Sporck now advocates strong punitive measures against Japanese companies if they do not adhere to the terms of the US-Japanese semiconductor trade agreement hammered out last year; and he concedes that the Democrats may be more sympathetic towards his views on trade and international competitiveness.

He believes that responsibility for the declining world leadership of American industry must be shared. "We—that means labour, management, government, academics—we are not measuring up, and we had better get to it.

"The most important thing, right now, is for the US to reach a consensus on what we as a people want. Are we prepared to allow our industrial base to erode? Are we prepared to sacrifice our standard of living? That is where is has to start. Then comes the creation of the capability of doing something about it."

He is encouraged by the growing interest of Congress in trade and industrial policy. "Right now we have the worst of all possible industrial policies —which is not to have any industrial policy."

For his part, Sporck is *dedicating himself to building* consensus within the industry — a delicate process because of the diverse interests of merchant chip makers, of captive producers and customerse like IBM, and of the suppliers of productio nequipment and materials. "But if we are to be successful then we must have a truly unselfish co-operative effort.

"Look, this industry has two choices: We don't keep up with technology and get wiped out — or we come up with an overall integrated development plan and compete with the Japanese" — typical fighting talk from a man who does not give up easily.

### ● PERSONAL FILE

- **1927** Born upstate New York, son of the owner of a taxicap business
- **1952** Gained bachelor's degree in mechanical engineering, Cornell University
- **1952** General Electric, various jobs in manufacturing
- **1959** Fairchild Semiconductor, production manager and then general manager
- **1967** National Semiconductor, president
- **1977** Founding member of Semiconductor Industry Association.



# THE ARTS

## Architecture/Colin Amery

# Flexible inventiveness replaces concrete dogma

Architects today seem to be developing in a new way. They now have to be "fixers" on a major scale. It is no longer enough simply to design buildings. They have a role in the community as enablers, professionals who help their clients to put together desirable packages that meet social as well as design requirements. The new President of the Royal Institute of British Architects, Mr Rod Hackney, has shown in his own work that it is possible for architects to act as designers, enablers and developers—all at the same time.

Earlier this year a prominent firm of architects, Rock Townsend, gave one of the regular presentations at the RIBA in the *Architects and Their Work* series. They are very representative of the new architectural culture. Two of their projects deserve attention; the Cleveland Business Centre in Middlesborough and the planned new use of Tynemouth Station.

The Cleveland Business Centre, Middlesbrough, represents the new style architectural initiative

David Rock and his partners pioneered the idea of shared workspaces in both the Barleymow development in Chiswick and in Covent Garden's Dryden Street. Their idea, which now seems like common sense, was put together a lot of small firms and provide for them shared support services. The Dryden Street scheme began in the early 1970s when some 65 small firms converted two warehouses in Covent Garden and ran what was in effect a design community—a mixture of shared and independent facilities—all holding voting shares in the collective in relation to the amount of space they occupied.

All this was organised by the architects and they have now extended their expertise to schemes where they sometimes act also as developers.

The Cleveland Business Centre is to be a 60,000 sq ft business centre in the centre of Middlesborough. It is hoped it will for ma model for such business centres in the United Kingdom. Rock Townsend supplied their experience to help to develop the idea of a business and innovation centre that had been initiated by the local council.

While they design the new building to a very flexible brief, the other main role of the architects has been to form a team to refine the original idea and find ways of making it happen. The mixed nature of the team reflects the complexity of the problem. KMG Thomson McLintock considered the economics and regeneration; Property Market Analysis surveyed the market and Inner City Enterprises (a company wholly owned by 60 major financial institutions) acted as funding consultants.

In providing a willingness to put their design expertise alongside newer enabling and entrepreneurial attitudes architects like Rock Townsend are offering an extremely important and valuable service. The Middlesborough Cleveland Business Centre is now launched and looks like being a success in more than just design terms.

At Tynemouth similar approaches are being applied to save a Grade II listed railway station. This station was completed in 1882 by William Bell of the North Eastern Railway Company. It is in the High Victorian Gothic style and has the remarkable feature of 200 yards of arched cast iron canopies over the platforms.

For many years only a small part of the station has been in use, more recently as part of the Tyneside Metro system. The architects were brought in by Community Service Volunteers and with a multi-disciplinary team have been able to find sources of finance (from organisations like the EEC Social Fund) to develop and repair the station. It is hoped to provide starter workshops and small business premises; museum and tourist attractions; under-cover shopping and eating facilities; and some community facilities for children and adults. By utilising some five years'-worth of Manpower Services Commission labour it is hoped to restore the station from one end to the other, at the same time providing intelligent new uses.

As architectural consultants to the town of Ware in Hertfordshire, Rock Townsend have, following a detailed report, master-minded the regeneration of the historic centre. It is successful and the same principles are being applied to Leamington Spa. It is the idea of an architect/designer acting also as manager that has proved to be the interesting development for this firm.

They have initiated the ideas of the workspace with shared facilities as well as the Town Development Trusts with new ways of funding the regeneration of historic towns. It is an exciting thought that this kind of pragmatic and intelligent approach to alternative design solutions is now going to revolutionise the actual institution of the RIPA. David Rock was Rod Hackney's running mate and will be his vice-president. An exhibition of Rock Townsend's work will open at the RIBA in March and provide an opportunity to show the physical results of an approach that is sometimes so diffuse that it is hard to grasp.

The importance of the enabling approach to architecture is that it has no stylistic preconceptions and is open to a wide range of ideas. It makes commercial sense too, certainly at a small scale by providing opportunities for the initiation of new ideas for growth, and giving them a base. Flexible inventiveness is the hallmark of this practice—a refreshing change from concrete dogma.

## 'Decadence' at the Wyndham's

Steven Berkoff's play *Decadence* is to begin a limited season at the Wyndham's Theatre from February 25, with Linda Marlowe joining Berkoff in this two-hander.

## 'Siegfried Sassoon' transfer

Peter Barkworth's one-man show, *Siegfried Sassoon: The Story of the Young Soldier Poet*, has opened at the Apollo Theatre for a four-week season after a successful run at the Hampstead Theatre.

## Faust/Coliseum

**Max Loppert**

The 1985 English National production of Gounod's *Faust*, which returned to the house on Saturday, is one of the most intelligent, vivacious, and genuinely *theatrical* stagings in the company repertory. Before it first came on the scene, there was a *Faust* tradition of fairly long standing that permitted reviewers to wonder aloud whether this opera still merited the attention of serious opera companies. (The answer was usually a grudging affirmative, for Gounod's indestructible melodies are always worth hearing.

After Ian Judge's sparkly new look at the piece, the tradition has been exploded. *Faust* at the Coliseum is a first-rate operatic entertainment, alive and lively all the way through, not a creaky old war-horse studded with a few star turns. The good work begins with the edition used. An opera that started life as an *opéra-comique* (ie with spoken and sung passages in balanced alternation), and was then musicked all the way through to serve on Grand Opera stages, has here been returned to its proper spoken-and-sung form. No dreary recitatives gum up the pace; there is no lagging between numbers. The setting for Gounod's intimate, caressingly simple melodies is structured to liberate their very best qualities.

Mr Judge has accepted that the Barbier-Carré dilution of Goethe cannot be presented to a modern audience at face value. A thread of witty, erudite irony runs through the production, occasionally (as in the soldiers' return and the death of that arch-male-chauvinist, Valentin) taking an overt form, mainly glinting in counterpointed comment on the Victorian Values enshrined therein. The production never nudges too hard, because its sympathy for and with the music is sincere, and because it moves with a showbiz fleetness of foot.

There have been slight prunings since 1985. The Jewel scene is no longer a Delacroix piece of visual exoticism with four bare-chested black men in pearl necklaces and Marguerite in her cami-knickers (a pity, I feel: the original was not *just* camp). And because John Tomlinson as Mephistopheles has been succeeded by a performer of completely different build and manner, the whole Jack Buchanan-style debonair manipulation of events has had to be reworked. No matter: the main lines of the show are as strong and confident as ever.

A show of this sort needs a conductor who understands that *opéra-comique*, especially in a huge theatre, must be taken lightly, must move forward. As in 1985, Jacques Delacôte was on Saturday an excellently sensitive, stylish *Faust* conductor. There was rather too much untidy (insufficiently rehearsed?) choral singing, and the playing of the opening scenes was unsettled, but Gounod's pliant vocal lines and his touches of Mozartian colour were addressed with chivalrous enthusiasm, and the Big Moments were saved from bombast.

Many of the original cast members have returned for duty, almost all immeasurably more confident than on that rather nervous first night. Fiona Kimm (Siebel), Shelagh Squires (Marthe) and Simon Masterson - Smith (Wagner) make much of little, Siebel's second air being especially delicately turned. Helen Field's Marguerite, a marvellously mercurial and fanciful creation, is sung with new sweetness and roundness (Mireille and Juliet next, please!). Arthur Davies in the title role is now so admirable in so many ways—appealing presence, tone forward and free—that one is tempted to be severe with him for not being even better. He must now master the supple, suave French tenor style: in the Cavatina the phrasing was square, the top C a pitched yell.

Alan Opie, new as Valentin, is in sensational form: this is a star performance. The giant Danish bass Ulrik Cold, remembered for his Kent Opera *Agrippina* and *Poppea*, makes a successful ENO debut as Mephisto. His intelligently humorous and quizzical touch with the spoken and sung English words is a pleasure (and the traces of Danish accent confer a genuine sense of difference on the character). The lissome movements required by the producer are not yet completely smooth, and the voice seems to boast wide range (top G to low E) rather than distinctive quality (the Serenade was not Gounod bel canto, which it can and should be). Altogether, however, he adds an interesting new note to the sounds and sense of the show.

Alastair Muir

Ulrick Cold, Helen Field and Arthur Davies

Alastair Muir

William Luce's one-hander about Lillian Hellman seems a strange craft to set afloat in the West End, despite the chance it affords to watch the admirable Frances de la Tour in full flow for two hours—neither of them boring, which says more for performer than for vehicle. "Lillian," a distillation of Hellman's autobiographies, comes to the Fortune after a series of Sunday tasters at the Lyric, Shaftesbury Avenue, last autumn. It drops more names than can be comfortably counted on two hands, delivers some pungent anecdotes, and builds a picture of a woman who had astonishingly little doubt of her own importance—to the theatre, as author of plays including "The Children's Hour" and "The Little Foxes;" to Dashiell Hammett, her friend and husband who lies dying in the wings throughout, and to the preservation of integrity, as friend after friend turned face to the McCarthyite witch-hunters. Corin Redgrave directs, Shelagh Keegan designs and de la Tour takes the laurels with a performance that is clear, concise and ultimately moving.

CLAIRE ARMITSTEAD

## Twelfth Night/Sheffield Crucible

**Martin Hoyle**

Isolde's Liebestod rings through the darkened theatre. For eight minutes Orsino's face alone is illuminated in the blackness, rapt and intense as the music surges. In "If music be the food of love," he quivers, tormented by a romantic fire, and clasps Valentine, himself a Keatsian figure. Assisted by Martin Duncan, Steven Plimlott has directed a darkling *Twelfth Night*, half in love with easeful death for the Sheffield Crucible.

Much as Wagner's Leitmotifs provide an orchestral subtext, so this production uses the silent appearance of some characters to comment on scenes in which they do not appear. "He's e'en now in some commerce with my lady," they say of Cesario. Oh no, he isn't (to take our cue from the bedraggled paper-chains and small Christmas tree shedding its fairy lights); for my lady, Olivia (Helen Cooper), stands immobile upstage, a drooping pre-Raphaelite outline, patience on a monument, brooding, oblivious to the below-stairs hanky-panky. Scenes are intercut cinematically, sometimes to striking visual effect, as when Orsino and the disguised Viola, sprawled on the ground, gaze silently at each other, the one puzzled, the other helplessly in love, while Olivia's household indulges in midnight revels upstage.

The boxed-in kitchen, a life-size dolls' house segment with fridge and TV, is wheeled on with Maria (Rosalind Knight—good as ever) busy at the stove and a hungover Sir Toby (Robert O'Mahoney) in vest and braces. On the roof are two young men, one slumped in grief, the other watchful, their elegiac stillness eventually broken by dialogue: shipwrecked Sebastian and loyal Antonio whose lines are interwoven with Viola's first embassy to Olivia below. Their fond parting is spoken simultaneously with Malvolio's contemptuous delivery of Olivia's ring to the young messenger. The production is so rich in these musicless operatice ensembles that one can only regret that the play was never set by a great composer.

The moth-eaten sofa of Orsino's court is aptly ambiguous. Tom Cairn's design allows the director to group his characters across the Crucible's spacious acting area uncluttered in striking stage pictures of isolated individuals only fleetingly linked. By the third part (this version, fuller than most, unusually runs to two intervals) an Alpine landscape gilds the walls; the sofa stands in water in which characters slosh or ecstatically stretch at full length; and the little tree is a dry clump of twigs that Feste burns so that he and Aguecheek can warm themselves, crouched on an empty stage as the rain finally comes down.

The comedy is deliberately kept within bounds, as epitomised by David Ross's Malvolio. Not such a smoothie high-flyer as Cheek by Jowl's Hugh Ross (any relation?), not half so dangerous, he is a grey-suited, dowdy meritocrat, unimaginative but on the make, who has probaly done well out of the present government if Illyria is British territory. Mr Ross plays him as the late Leonard Rossiter might well have done: slightly nasal, capable of tremblingly repressed frenzy at the promise of Olivia's favour, his jaws rigid in a crocodile *risus sardonicus* when out to charm.

This low-key approach made the mocking of mad Malvolio as unfunny as one fears it will be, despite John Ramm's excellent Sir Topas act—a powerful Feste. Unnervingly like the eminent TV historian Michael Wood, the ganglingly boyish Aguecheek of Simon Roberts lopes around in red velvet an overgrown Fauntleroy, the audience's darling, funny and unexaggerated—an RSC track record always shows. William Hope's Orsino is promising, and Francis Middleditch made poor Antonio's outbursts of anger and dignified reproach into highlights of the play: a very proper Shakespearian. Janet Dibley's pretty Viola is a convincing boy (though she looks 13) but never even scratches the surface of the part. Her chirpy suburban twang is even more marked in her brother whose frightful cockney whine made this the least moving reconicilation of the twins I have ever seen.

## The Sleeping Beauty/ Covent Garden

**Clement Crisp**

It was good to see a young dancer accepting one of the great challenges of her art with the assurance shown by Maria Almeida on Friday night. She was making her debut as the latest in the long line of Royal Ballet Auroras, and the gifts bestowed by several of the fairies at her christening were clearly to be seen when she came on stage for the princess's betrothal dances. Miss Almeida has an elegant physique, good balances, a quick muscular action in setting out the choreography — bright phrasing; variety of accent—and a generous and unafraid manner in showing herself the centre of the stage activity. She does not shrink from the role, as do some apprentice ballerinas.

But there is a Carabosse at every christening, and the unwelcome gift, however, temporary, was a failing in emotional stamina and projection. The second act, where the vision must impalpably drift yet still holds us as strongly as does Aurora during the Rose Adagio's *équilibres*, was decent in dance, but one wondered what had so caught the Prince's fancy. The third act, inevitably with a newcomer, missed the grand and sunlit outlines which can only come with mature technical authority: Aurora is a role for ballerinas over 30.

Miss Almeida is still young, and there is all the rest of her career to find a way to capture the moonlit lustre of the Vision (something which Gelsey Kirkland managed unforgettably a few weeks ago) and the noonday blaze of the wedding duet. And because she is a musical dancer, I hope that she will accept slightly faster tempi in the first act solo: on Friday night the music's sobriety, its absence of rhythmic spring, meant that Miss Almeida sank into the score and the dance instead of treading blithly over them.

The role, though, can be Miss Almeida's: she has, as her Manon showed us, the dramatic resource to develop character, and the emotional shape of *Beauty*, subliminal though it is, will merit just such attention. She should, further, be matched with a stronger Prince than Bruce Sansom, who was also making his debut. With a still boyish frame and a very youthful manner, Mr Sansom's Florimund seems hardly ready for the dramatic crisis which awaits him in the Vision scene.

We are surprised even that he should have a mistress flaunting red velvet and hoity-toity airs. Mr Sansom presents a Prince on his best if somewhat tentative behaviour, with dancing pure in line, and a correct, Head of School air. Some of his partnering looked uncomfortable, but that is a matter cured by the rehearsal studio and the experience of further performance. A first need is for a stronger sense of period style: Florimund is, after all, Peterburg's tribute to the young Sun King.

Cynthia Harvey added to her list of debuts this season with a gentle and very sweetly danced Lilac Fairy to set against the high dudgeons of Monica Mason's Carabosse; the general level of the rest of the performance seemed to me to be below what should be expected of the 641st performance of ballet's greatest masterpiece in a nation's greatest theatre.

## The Guest Room/Old Red Lion

**Claire Armitstead**

This is one either for fans of Fenella Fielding or students of Flaubert: the former will enjoy a marvellous performance, the latter might be able to understand what on earth it is all about.

James Hogan's *The Guest Room* is an update, so we are told, of the legend of St Julian the Hospitaller, origin obscure, but which was vividly depicted in Flaubert's last published work *Three Tales*. In Hogan's reckoning it tells the story of a ne'er do well, Julian, a convicted killer who may or may not be on the run from the police, whose encounter with decrepit Guyanese lodger in his uncle's house miraculously (sic) changes him for the better.

The means to this end are tortuous dialogue and a plot that begins with Julian's arrival and ends with the violent death of the lodger, whose name—and here's a clue—is Angelo. All is spelt out with a mixture of the portentous and the idiomatic that becomes increasingly reminiscent of T. S. Eliot (I was expecting the Eumenides to roll up at any minute *à la Family Reunion*.)

About the production, which comes to Islington's Old Red Lion via the Not the RSC Festival, there are few doubts. Simon Usher steps into the shoes of the original Michael Fox to direct a Rolls-Royce of a cast. Garry Cooper, as Julian, enters with a bullnecked swagger that is rooted enough to carry him through the sudden changes of heart that the plotting demands, although it does come as a bit of a surprise to find the lout is a closet Christian.

The most cryptic utterances fall to Vincent Ebrahim as Angelo: a drunken invalid who sees God in the corpse of a senile old man. Drawing himself up to the full stretch of his diminutive stature, here is an actor who can look dignified in a pair of besmirched long johns, unsullied in a room (courtesy of designer Brien Vahey) that is a mess of fag ends and half-eaten samosas.

And last but not least, there is Fielding herself, as a hypocrite neighbour and one-time tart who, symptomatically of society's evils, is round like a gannet to peck up unconsidered trifles whenever the right backs are turned. It is the smallest of the three parts, which is probably just as well, because she dominates every scene she is in—a spill of titian locks above a face that twitches and jerks with facial muscles I never knew existed in a performance of hideous power.

## SWRB's Spring tour

The Sadler's Wells Royal Ballet will premiere new ballets by Susan Crow, Derek Deane and Graham Lustig when it visits Birmingham during its spring tour, sponsored by Sainsbury's. It will also visit Aberdeen for the first time since 1978.

Starting in Glasgow this evening, then in Aberdeen, the SWRB repertory will include *The Snow Queen* and *Coppélia*. In Manchester and Leeds *The Snow Queen* and a mixed programme of *One by Nine*, *Chaikovsky pas de deux*, *Checkmate* and *Peter and the Wolf* will be performed.

The week in Birmingham from March 16—and also in Plymouth—opens with *Coppélia* and the premieres of *Paramour* by Graham Lustig, *Private City* by Susan Crow, and *The Picture of Dorian Gray* by Derek Deane to a commissioned score by Carl Davis. Bintley's *Allegri Diversi* rounds off the programme.

# Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

## Music

February 6–12

### VIENNA

**Austrian Youth Philharmonic Orchestra** conducted by Christoph Escenbach, piano. Mozart. Konzerthaus Mozart Saal (72 12 11).

**Clemencic Consort** led by Rene Clemencic. Austrian High Baroque. Musikverein Brahms Saal (Thur).

**Vienna Symphony Orchestra** conducted by Heinrich Schiff with Clemens Hagen, cello. Mozart, Lutoslawski, Beethoven, Konzerthaus. (Thur).

### BRUSSELS

**Palais des Beaux-Arts**: Belgian National Orchestra conducted by Avi Cstrowsky with Miriam Fried, violin, Verdi, Brahms, Dvořák (Wed). (512 50 45).

**Conservatoire**: Julian Bream, guitar. Scarlatti, Bach, Villa Lobos (Mon); Trio Amati, Beethoven, Mendelssohn, Scarlatti (Tue). (511 0427).

### NEW YORK

**New York Philharmonic** (Avery Fisher Hall): Kurt Masur conducting Glenn Dicterow violin, Lorne Munroe cello. Siegfried Matthus, Brahms, Schumann (Tue); Krzysztof Penderecki conducting, Paul Neubauer violin, Jan DeGaetani mezzo-soprano, Simon Estes bass-baritone. Penderecki, Shostakovich (Thur). Lincoln Center (874 2424).

**Merkin Hall** (Goodman House): Daniel Stepner violin and Seth Carlin piano recital on original instruments. Mendelssohn, Beethoven, Schubert, Schumann (Mon); New York Woodwind Quintet with Daniel Phillips violin. Reicha, Etier, Stravinsky, Mel Powell (world premiere), Francaix (Tue); Goliard Chamber Soloists with Judith Mendenhall flute. Bach, Roussel, Ravel, Mendelssohn (Wed); Music Spectrum. Boris Berman music director and piano. Smetana, Janacek, Dvořák (Thur). 67th w. of Broadway (362 8719).

### LONDON

**Endymion Ensemble** conducted by Oliver Knussen. Ravel, Schoenberg, Knussen, Saxton and Ligeti. Purcell Room (Mon). (928 3191).

**London Philharmonic** conducted by Bryden Thomson with David Nolan, violin. Vaughan Williams, Walton and Elgar. Royal Festival Hall (Wed).

**Royal Philharmonic Orchestra** conducted by Witold Rowicki with Paul Tortelier, cello. Rossini, Tchaikovsky and Rimsky-Korsakov. Royal Festival Hall (Thur).

**London Symphony Orchestra** and Chorus conducted by Gennadi Rozhdestvensky. Stravinsky and Bartok. Barbican Hall (Thur).

**Chamber Orchestra of London** conducted by Ivor Bolton with Jean-Louis Steuerman, piano and Michael Thompson, horn. Mozart. Barbican Hall (638 8891).

**Philharmonia Orchestra** conducted by Andrew Davis with Lynn Harrell, cello, Yvonne Kenny, soprano and Henry Herford, baritone. Dvořák and Nielsen. Royal Festival Hall (Tue).

**London Symphony Orchestra** conducted by Richard Hickox with Lorraine McAslan, violin. Prokofiev, Tchaikovsky and Holst. Barbican Hall (Tue).

**English Chamber Orchestra** conducted by Philip Ledger with Emma Johnson, clarinet and Jose-Luis Garcia, violin. Handel, Mozart and Vivaldi. Barbican Hall (Wed).

### PARIS

**Paris quartet**: Telemann, couperin, C.P.E. Bach (Mon). Salle Gaveau (4563 2030).

**Orchestre Colonne** conducted by Pierre Dervaux with Igor and Valery Oistrakh and Colonne Orchestra Choir conducted by Jean Sourisse: Mozart, Beethoven (Mon) in Salle Pleyel (Wed). TMP-Chatelet (4233 7289).

**Silvia McNair**, Soprano, Hanna Schwarz, contralto, London Mozart Players conducted by Jane Glover (Tue). TMP-Chatelet (4233 0000).

**Livia Rev**, piano: Beethoven, Debussy, Liszt, Chopin (Tue). Salle Gaveau (4563 2030).

**Orchestre de Paris** conducted by Sylvain Cambreling, Christiane Eda-Pierre, soprano: Rossini, Chausson, Dutilleux (Wed, Thur). Salle Pleyel (4561 0630).

**Gianna Rolandi**, soprano, Harry Dworchak, bass, Lausanne Chamber Orchestra conducted by Lawrence Foster (Thur). TMP-Chatelet (4233 0000).

**Jeffrey Grice**, piano: Schumann, Fauré, Ravel (Thur). Salle Gaveau (4563 2030).

**Piero Cappuccilli**, baritone, Leone Magiera, piano (Mon). Théâtre de l'Athenee (4742 6727).

**Ensemble Orchestral de Paris' soloists**: Mozart, Mendelssohn (Wed). Auditorium des Halles (4562 6757)

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Monday February 9 1987

# Not so loony town halls

LOCAL government is likely to be one of the main issues in the British general election. Mrs Thatcher's administration has spent much of the last seven years or so trying to reform it — not always with the greatest degree of sensitivity — and Labour's loony town halls are regarded as soft targets by Mr Norman Tebbit's Conservative Central Office.

Yet it is not an issue on which the Labour Party is bound to lose. Not all the Labour town halls are loony any more than all Conservative controlled councils are models of sanity. There are parts of the country, notably some of the northern cities, where Labour authorities have *made a decent show of shielding* the local population against the worst excesses of urban decay, structural change and unemployment. Some of Labour's best people worked in local government over the last few years and are entitled to claim that they kept the party going when the outlook was otherwise bleak.

Thus Labour held its local government conference in Leeds at the weekend against a not unpromising background with much, though not all, of the shadow cabinet in attendance. It was only a mixed success. The overwhelming impression that emerged was of a potential Labour Government that wants to centralise first, perhaps in order to decentralise later, pitched against local representatives who believe change has already taken place on the ground and now needs to be encouraged from Westminster.

### *Preserving services*

On the face of it, a lot of the discussion was about money. Dr John Cunningham, the Shadow Environment Secretary, told the conference on the first day that under a Labour Administration: "There will be no easy money for government departments—there will be none for local councils." Mr Neil Kinnock, the Party leader, made much the same point when he said: "I cannot and I will not promise a supply of funds on a scale that compares with the level of cuts in support made in seven years of Tory Government."

Only Mr Roy Hattersley, the deputy leader, who spoke at the end and had the advantage of having realised that the conference was not entirely sympathetic to the leadership, softened it slightly when he said Labour should be proud to campaign on the general record of Labour councils throughout the country. Even he repeated the warnings about "no easy money."

Yet the argument was not primarily about funds at all. It was about centralisation versus decentralisation. The floor wanted gratitude for the way it had kept things going during the years of the squeeze, and recognition that it had found ways of preserving services and jobs when the going got rough. The Labour front bench, by contrast, sounded almost Tory in telling councils not to demand too much.

### *Lowering fares*

The Labour Party's consultative paper on local government in England and Wales, which was under discussion at the conference, is on the whole a sensible document. It points out that local government has been unstable for years not just because of Mrs Thatcher's attempts to reform it, but because of previous attempts by the goverment of Mr Edward Heath in the early 1970s. Nothing has ever been allowed to settle down. Urgent questions, like proper remuneration for councillors, have been left open.

What it lacks, however, is any sense of immediacy. Comments on the document are invited by April 30 — which, according to Mr Hattersley's reckoning — could be about one week before the general election. Thus it begins to look as if Labour has failed to put together in time a policy on which it could do well.

Labour has also failed to acknowledge that some of its councils have not done too badly in adverse circumstances: for example, by increasing traffic on *public transport by lowering* fares. There is in the regions and in parts of London, a new Labour Party trying to break out. It seems a pity that the front bench should be seen trying to stifle it.

As the consultative document says: "The task is not paying for local government, but paying for services for people." That is an understandable approach and some local authorities have managed to deliver. If the election is delayed, Labour in Westminster and Labour in the country will still have a chance to work together.

# The ambitions of Mr Craxi

ON Wednesday, Mr Bettino Craxi, the Italian Prime Minister, meets Mrs Thatcher in Downing Street for what is now a routine round of consultations between EEC premiers. Routine, that is, except for the fact that Mr Craxi is quitting his post in April and will not, therefore, be in charge of his government's affairs at the next Community summit in June.

After three-and-a-half years as premier, a post-war record in Italy, there are many who wonder whether Mr Craxi will try to launch the country into early elections instead of waiting for the end of the legislature's natural life in June next year.

But Mr Craxi is still insisting he will stick by the agreement he made last summer with the Christian Democrat leader, Mr Ciriaco De Mita, and hand over his office, quite probably Mr Giulio Andreotti, who does not lack for experience after five previous spells as premier.

None the less, it rarely pays to take things at face value in Italy. The politicians are already giving much thought to which combination of parties might form the post-election government.

Mr Craxi's Socialists, the very much smaller Social Democrats and, to a lesser extent, the republicans and liberals all dream of breaking away from Christian Democrat domination.

### *Limited options*

Certainly, this is not what it was. The party's share of the vote has gently declined from 48.8 per cent in 1948 to 32.9 per cent in 1983. Whereas once the party could and did claim the premiership by right, internal divisions have so weakened its grip that it has been denied the prize for all but a few months since 1981.

Mr Craxi has been largely responsible for this deprivation. His agreement, under Christian Democrat pressure, to step down a year or less from an election is undoubtedly a case of "reculer pour mieux sauter."

Mr Craxi's task is to translate an impressive period in office, greatly helped by a flowering of Italian entrepreneurship and a halving of the oil price, into more votes for his Socialist Party. Although Italy's third largest, the party has consistently been squeezed by the Christian Democrats on one side and the Communists on the *other and has never managed* to poll more than 12.7 per cent of the vote since 1968.

The Italian premier's options are limited by his firm opposition to an alliance with the one party, the Communists, which would yield a truly alternative government to the Christian Democrat-led regime of the last 40 years.

So his aim is to try to maintain the decline in the Christian Democrat vote and to build a position of strength from which to reclaim the premiership.

### *Powerful pull*

His tactic was clarified last week when the Socialists' executive adopted a political credo for adoption by the party's congress in April. Its premise is that Italy is a country hungering for reform and the parties and the political system itself must change to satisfy this demand. It affirms that the Socialists are the party best fitted to head the reformist movement which could certainly embrace the Social Democrats (4.1 per cent of the vote in 1983), the radicals (2.2 per cent), most probably the republicans (5.1 per cent) and most of the liberals (2.9 per cent).

The Social Democrats are already lined up behind this vision as also are the radicals. The republicans and the liberals are less certain, but if the Christian Democrats fade a little bit more at the next elections, then Mr Craxi would exert a powerful pull.

The Christian Democrat vote *may just fade a little, but it* will certainly not collapse. Therefore, the most likely outcome appears to be another five party coalition after the next elections. Mr Craxi's political document of last week sees the Socialists' relations with the Christian Democrats as based on "collaboration and competition." Until the next elections, whenever they are, Socialist competition will give the post-Craxi government a very hard time. Afterwards, any strengthening of the Socialist vote will encourage Mr Craxi to offer collaboration strictly on his own terms.

## When the US Government broke up AT & T three years ago, many feared for the future of Bell Labs, its famous research centre. David Fishlock reports

# Mission control for the new wave

TO MEET Nobel laureate Arno Penzias is an exhilarating, if exhausting experience. An astrophysicist who, as a company scientist, *shared the 1978 Nobel physics* prize with Robert Wilson, a fellow researcher, Dr Penzias is chief scientist responsible for basic research at Bell Laboratories, the world's most famous industrial research centre.

It is from this spring that seven Nobel prizes have gushed—not to mention a torrent of revolutionary inven*tions, such as the transistor,* which Bell scientists demonstrated 40 eyars ago.

But in the last three years, there has been a serious question-mark against Bell Labs' ability to maintain this pace of invention, having suffered the loss of hundreds of staff to the autonomous Bell operating companies as a result of the break-up of American *Telephone* and Telegraph (AT&T) in 1983.

Many US universities were sure this fragmentation would mean the end of Bell Labs as a national research institution to which they could confidently recommend their students. Others wondered whether Bell Labs could continue to deliver the kind of product development performance needed to keep AT&T ahead in a highly competitive industry.

Dr Penzias, a slight, trimly waist-coated figure could be mistaken for a banker—until he begins to expound on science. His unstructured but wholly compelling delivery is emphasised further by large gesticulations. As well as being a Nobel prizewinner, Dr Penzias is by instinct an entrepreneur, which is perhaps a good thing since it was his area outsiders considered most at risk in the AT&T break-up.

He has a science budget of $250m (£170m) a year. "And I don't think I file more than a dozen pieces of paper for it," he smiles.

This is roughly one-eighth of the total research and development expenditure of Bell Laboratories, about $2bn last year. It is money spent in-house with a detachment from workaday company problems that is almost unknown in most companies.

Dr Penzias admits that he cannot formally justify it. "If the company gets sick, we cannot afford it."

But that gives him a terribly strong motive to make sure AT&T succeeds, he says. "If we don't provide the technology, someone else will provide at least part of it."

But science for Penzias means not figures but people and their ideas. He points proudly to leather-bound theses of former students. He sees his job as keeping his own army of scientists—some 800 PhDs — generating original ideas which will be seized by co-researchers and turned quickly into innovation.

Bell Labs—begun in 1925 and now a company within the AT&T group—is the way it is by accident not planning, says Dr Penzias. "But what is planned is the way we handle performance."

Tee-shirts commemorating the "big bang" theory which earned Penzias and Wilson their Nobel prizes hang like diplomas on some laboratory walls. They are just one of the many small ways Penzias has discovered for rewarding outstanding scientific performance. He gives presents of books and chocolates. He says he got the idea from the British honours system.

He also gives money. The brightest young scientists, recruited for perhaps $40,000, can quickly find themselves earning as much as $100,000. Only a top professor at a handful of universities could expect this much.

Individual performance is constantly being evaluated, not only by a scientist's own head of department but also by other department heads. This gives scientists a direct incentive to collaborate across formal boundaries and so gain extra credit.

It is all a far cry from science in Britain, which he calls "an engine with a wonderful head and no body." Britain has been too diligently categorising its brainpower at too early an age—he admits he was bad at exams—and too ready to export anyone who didn't quite fit, from convicts to scientists, he says.

He claims American science is more productive because of the diversity of people and attitudes its society accommodates. "It's the inhomogeneity of the pool that makes all the difference."

He cites Bell Labs' own top management team, with six different nations represented, including a British-born president. "And it goes all the way through the company."

Lancashire-born Ian Ross, president of Bell Labs, has been with Bell since leaving Cambridge in 1952. A soft-spoken engineer who still retains his English accent. Dr Ross sees the role of Bell Labs as taking technology all the way to where he can transfer it confidently to the manufacturing company. Traditionally, this has included about 10 per cent spent on "very pure research."

Dr Ross is credited with a profound understanding of the subtle relationship between research and development, something not all past Bell Labs presidents have quite grasped, it is said.

There is one fundamental difference between the university and Bell Labs' pure research, he says. The university is pushing a specific discipline. Bell is pushing a broad but distinctively commercial mission; net-working.

Networking is the "second wave of the information age" following the mainframe computer, already an endangered species, says Dr Ross. It will exploit telecommunications on a much larger scale than is possible today, allow business, industry and consumers to marshal information across vast distances in any form—voice, data or video. Above all, it will "link and utilise the machine intelligence that has become widely distributed in our factories, offices and homes."

For AT&T, the mission is simply to establish a universal telecommunications transport system into which a great diversity of information devices will plug, much as the electricity grid is tapped for its power. He foresees the day when he will converse with a scientist in Japan, each speaking his own language. One thing it will need is enormous computing power. Bell Lab's aim is to do for data what earlier Bell scientists did for voice.

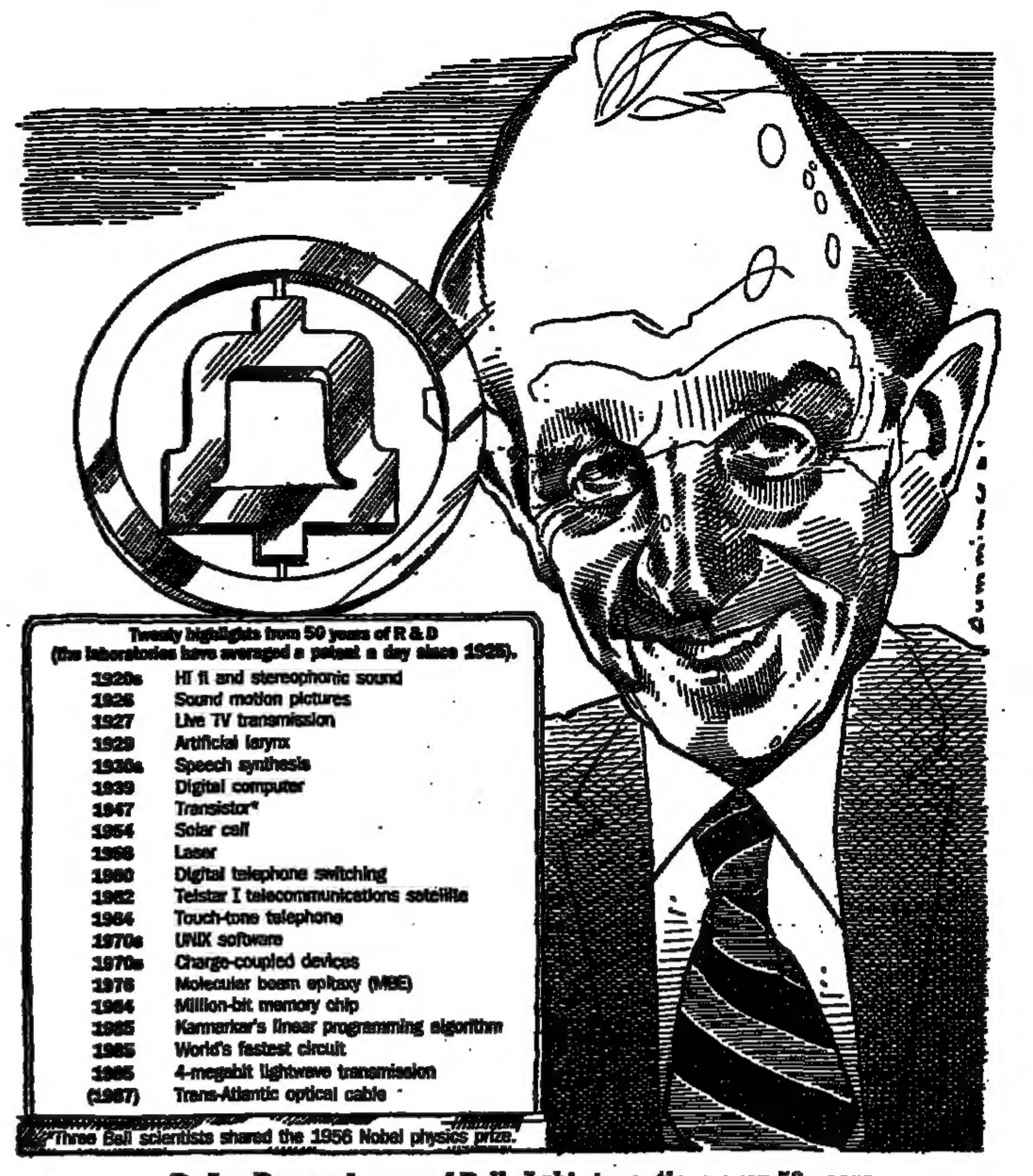
*Dr Ross* was a vocal opponent of divestiture, but believes that his laboratories have survived its disruption "in a very healthy way," emerging still stronger, he claims. This is despite the fact that 4,000 of the 20,000 staff—including 100 of Dr Penzias's scientists—were hived off to help create Bellcore, the 8,000-strong co-operative research centre which serves the seven regional operating companies.

Senior colleagues of Dr Ross who have also spent careers with Bell say he has fought a hard fight since 1982 to prevent fragmentation of the lab's efforts into the pursuit of finely defined commercial objectives on separate sites.

Like him, they believe the overriding strength of Bell Labs lies in the breadth of its expertise.

Divestiture has freed AT&T from previous restrictions on how it could exploit its ideas. For example, it was forbidden to exploit its transistor in transistor radios.

Among the challenges now facing Bell Labs are the trend towards shorter product life-cycles, increasing use of software in products, and increasing use of chips in the kind of products Bell Labs develops. The big competition, as Dr Ross sees it, comes from IBM and the Japanese companies—not from Europe.



| Twenty highlights from 50 years of R & D (the laboratories have averaged a patent a day since 1925). | |
|---|---|
| 1920s | Hi fi and stereophonic sound |
| 1926 | Sound motion pictures |
| 1927 | Live TV transmission |
| 1929 | Artificial larynx |
| 1930s | Speech synthesis |
| 1939 | Digital computer |
| 1947 | Transistor* |
| 1954 | Solar cell |
| 1958 | Laser |
| 1960 | Digital telephone switching |
| 1962 | Telstar I telecommunications satellite |
| 1964 | Touch-tone telephone |
| 1970s | UNIX software |
| 1970s | Charge-coupled devices |
| 1976 | Molecular beam epitaxy (MBE) |
| 1984 | Million-bit memory chip |
| 1985 | Karmarkar's linear programming algorithm |
| 1985 | World's fastest circuit |
| 1985 | 4-megabit lightwave transmission |
| (1987) | Trans-Atlantic optical cable |

*Three Bell scientists shared the 1956 Nobel physics prize.

Dr Ian Ross and some of Bell Lab's inventions over 50 years

Ian Ross has no doubts about the *magnitude* of the technological challenge posed by the new mission. But asked whether he sees big shifts in direction in the next few years, his reply is "unfortunately, no."

What Bell Labs calls the "killer technologies" which have already changed the face of telecommunications—such as silicon chips and optical transmission—still have too much potential for progress to be likely to succumb to rivals this century, he says.

The breakthrough he believes would be most beneficial to the mission lies in software, and some way of writing it very much faster and more accurately. He puts his faith in a robotic programmer.

Such a concept, if ever achieved, will probably be the brainchild of one of Dr Penzias's proteges. The exodus to Bellcore obliged him to rebuild his research staff. But he says there was never the slightest temptation to off-load his poorer performers.

Instead, he transferred to Bellcore five of his research directors—recognised leaders, whose staff followed. The five even gave him an egg-timer as a parting gift to commemorate a genuine "two-way exchange."

But in rebuilding research in pursuit of the new mission, Dr Penzias made changes. He expanded software science (although his new research director is sceptical of the idea of a robot programmer). He played down run-of-the-mill physics but expanded the new area of surface physics. Further progress in silicon chips and any new generation is almost certain to depend crucially on the behaviour of surface layers of atoms of semiconductor. Now he has nearly 100 scientists working on surface physics.

Dr Al Cho, the genius who in 1976 developed the idea of sandwiching surfaces—layers of semiconductor only atoms deep—to get novel electronic properties, is in the vanguard of Bell's research in surface physics. Dr Cho's technique is called molecular beam epitaxy (MBE). It requires a complex, computer-controlled vacuum evaporation apparatus which can cost anything up to $2m.

Most surface physicists are happy to have access to a single MBE apparatus. Dr Cho has four for his own research, of a total of about 30—"more than most nations have"—in Bell Laboratories. No British research centre has more than four.

He is a scientist in a hurry. While he believes Bell still leads the world in MBE research, he thinks the Japanese have already overtaken the US in getting MBE technology into the factory.

One scientist who admits he was astonished when his chief scientist gave him the freedom and resources to try to invent a new kind of computer—an optical computer, perhaps 1,000 times faster than anything running today—is Dr Alan Huang. An improbably tall Chinese-born physicist. Dr Huang says "I've always wanted to build the world's most powerful computer, since I was ten."

For the last 14 years he has believed that the way to do it might be to use photons—light—instead of electrons. Bell has been paying him to think out how it might be done.

Now Dr Penzias has made him head of the new optical computing research department with a brief to invent the optical computer. He has six laboratories and a dozen scientists, and eight more in the laboratories with whom he is collaborating closely.

Dr Huang is confident that if anyone can invent an optical computer "it has to happen right here in New Jersey." It is not only a matter of the resources and talent he is assembling. Bell Labs has a mission that *needs* an enormously more powerful computer. Bell also has technologies in-house which he believes will be crucial to the optical computer, of which the paramount one is Dr Cho's MBE.

*A second article on Bell Laboratories will appear on the Technology Page on Friday.*

# Men and Matters

## Going for a song

Hard-pressed securities regulators in London and New York may wish they could follow the example of Michael Ross, who has left his job as watchdog of the Vancouver stock exchange to pursue a less stressful career, writing rock songs and ballads.

Among Ross's first assignments as a songwriter is to make use of the 85 hours of free studio recording time which he won in a recent contest. Titled "We are the Angels," his award-winning song is obviously not dedicated to the speculators and promoters who have turned the hundreds of "penny" resource stocks traded on the VSE into *some of the world's most risky* investments.

Ross's last duties as British Columbia's superintendent of brokers included a probe into volatile trading in a company appropriately named Skyhigh Resources, whose chairman is the once high-flying Saudi Arabian arms dealer, Adnan Khashoggi.

Despite *opening such investigations*, Ross, aged, 47, did not endear himself to members of the local business community struggling to convince outsiders that the VSE is more of a stock market than a casino. The colourful former superintendent arrived at a trade show last year resplendent in a dashing cowboy outfit. It did not take long for the VSE to be dubbed the "cowboy exchange."

Such setbacks to its image have not, however, prevented the VSE from enjoying a boom in trading volumes, new listings and company financings in recent months.

## Chunnel search

Sir John Harvey-Jones, outgoing chairman of ICI, has been asked to take on the job of British joint chairman of Eurotunnel, the Anglo French channel tunnel consortium—but he has declined.

The Bank of England is known to have been looking for a successor to Lord Pennock, the present British chairman of the consortium. Harvey-Jones admitted that he had been approached but declined to say whether the approach had come from the Bank or the consortium itself.


"You're in — you're out. You're in — you're out.'

Harvey-Jones, who is due to retire as ICI's chairman in April when he will be 63, says that he would not want to take on responsibilities of the £5bn Channel tunnel as he intends to devote himself full-time to his retirement.

He plans to take over the chairmanship of Sir Peter Scott's wildfowl trust in Slimbridge, Gloucestershire. "We expect the geese will be laying more and better eggs," said a colleague.

The approach to Harvey-Jones confirms that the hunt is on to find a major figure to head the British end of the Eurotunnel operation. The Bank feels that stronger leadership at the top is required if Eurotunnel is to gain the confidence of the City ahead of this summer's planned £750m international share sale.

Sir Nigel Broackes, chairman of Trafalgar House, the shipping, construction, property and hotels group, had been widely tipped as the Bank's choice as successor to Lord Pennock. This option now appears to have been rejected. And Harvey-Jones's refusal underlines the difficulty of the consortium's task of finding a new leader.

## In private

Foreign demand for the expertise which Gerry Grimstone acquired at the Treasury in administering the Government's privatisation policy continues to grow.

Since he joined Schroders, the merchant bank, last September as a corporate finance director, Grimstone has negotiated deals to manage the privatisation of Singapore's mass transit system, Malaysia's national electricity board, and now, the commercialisation of New Zealand's public sector forest service. Later this week, he will be in Manila, pitching for the job of privatising the Philippines steel industry.

"Everybody," says Grimstone, "is after success. They all want the businesses to operate commercially regardless of ownership." Interest in the Thatcher Government's programme which brought a stream of foreign visitors to the Treasury over the past few years is now being translated into action," he says.

Some countries are modifying the Thatcher policy. Singapore, which is spending £1.7bn on its mass transit system, will privatise only its operation.

The Labour government in New Zealand will set up two independent corporations within the public sector, one to manage *the commercial forestry* and timber operations, the other to take over the farming and property management of its present *forest* service.

This attempt to secure the disciplines of private enterprise within the public sector may be followed by similar moves in the state-run air traffic control system and in the management of government property.

Privatisation, in many other countries at least, says Grimstone is no longer being viewed primarily in political terms.

## No breakfast

Texas senator, Lloyd Bentsen, admitted that he had made a "doozy" of a mistake after just one *month in the* job as chairman of the senate finance committee, which writes tax, trade and health care legislation.

Early last week, word leaked out that the senator's office had invited 200 lobbyists to attend breakfast once a month with the influential chairman in exchange for $10,000. The money would go into Bentsen's campaign fund in case he came up against some well-financed opponent in 1988.

The "breakfast club" was not, in fact, an original Bentsen idea. His predecessor as chairman, Senator Bob Packwood, an Oregon Republican, developed a similar group of campaign supporters, though they paid only $5,000 each.

After a stormy week of press criticism, Bentsen has announced that he will disband his club. "I didn't anticipate the perception of it," he claimed, in senatorial surprise. "The last thing I want is anything that would reflect on my integrity."

## Delayed action

The school test asked pupils to complete the saying: "He who laughs last . . ." — "is a bit dim," suggested one youngster.

*Observer*

## Foreign Affairs

# Thatcher's incredible deterrent

By Ian Davidson

ONE OF the more striking aspects of the pre-election campaign now obsessively hogging the headlines in Britain, is the continued saliency of the controversy over defence policy.

At first glance, and even at third glance, it looks like a three-cornered argument over nuclear weapons. This may in part be an illusion, a product of political slogans and newspaper headlines; the real fissure may well lie elsewhere, in the deeper strata of images of national identity and national independence. But the common perception is that the argument is about nuclear weapons, because this is what the protagonists say it is about.

Unilateral disarmament, and the eviction of all American nuclear weapons from British territory, is the centrepiece of the defence policy grimly adopted by the Labour Party. The cancellation of the American Trident missile system, and its replacement by a more modest *European* nuclear deterrent, is the centrepiece of the defence policy advocated by Dr David Owen and the SDP-Liberal Alliance.

By an almost inevitable reaction to this double attack, the purchase of Trident has become the centrepiece of Mrs Thatcher's government's defence policy; only 10 days ago, it produced yet another document ("Trident and the Alternatives") rehearsing all the familiar arguments why Trident is the only deterrent worth having, and why any other system, whether ballistic or cruise missiles, on submarines or in aircraft, would be absolutely useless.

These arguments can be crisply summarised:

- A sea-launched cruise missile system would be unsatisfactory, because it is slow-flying and would be vulnerable to increasingly effective Soviet air defence; moreover, its range is so short that the submarines would be forced to patrol in part of the Norwegian Sea and would thus be vulnerable to Soviet detection.

Moreover, since cruise has only one warhead, compared with several for Trident, Britain would need many more of them to get the same striking power—at least 400 at sea at all times, and a total force of 800, and 11 submarines compared with four at present. Result: the cost would be twice that of Trident.

- Air-launched cruise missiles would suffer from analogous disabilities. Once again, the cost would be twice as great as Trident.
- The Government has examined the possibility of buying a French submarine-launched ballistic missile; but the M5—"the only possible missile"—is only now starting to be developed, and therefore could not meet Britain's Polaris replacement timetable. In any case, it might well cost considerably more than Trident.

These arguments are tolerably familiar, because the Government has deployed them before on several occasions; but they are also of very variable quality. Moreover, the entire exercise suggests either that the Thatcher government is a good deal less confident of the long-term advisability of its posture than its customary arrogance would allow it to admit, or else is showing symptoms of a dangerously split personality.

The shortness of the range of the current generation of American cruise missiles is certainly a serious weakness: 1,600 nautical miles, compared with 2,500 nautical miles for Polaris and at least 4,000 nautical miles for Trident. The Royal Navy likes to boast that its missile submarines have never yet been located by the Russians: but they are likely to get better at tracking in future, and extra sea room must be a great safety factor.

Much less persuasive is the Government's categorical assumption that any replacement for Polaris must be able to match the striking power of Trident. The Government continues to play a silly game of hide-and-seek over the number of warheads it plans to deploy on each Trident missile; but it concedes that it *could* be up to eight, compared with three on a Polaris missile. In other words, each Trident boat could be carrying as many as 128 warheads compared with 48 on a Polaris boat.

At no point has the Government ever argued persuasively that an increase on this scale is justified in terms of Britain's deterrence requirements. It *has* claimed that this increase will not even match the five-fold increase which has taken place in the Soviet arsenal since 1970, but that is hardly the same thing, and is in any case irrelevant.

Britain is not in the business of keeping up with the big boys. The limits of a reasonable ambition should be no more than to muster a credible minimum deterrent.

Of course, there is the problem of the Soviet defensive system round Moscow. But unless the Anti-Ballistic Missile treaty is smashed by President Reagan's fixation with his Star Wars anti-missile programme, the Russians will continue to be limited to 100 interceptor missiles. So to justify a *minimum* British deterrent force of more than 100 warheads per boat, you have to assume, not merely that every single one of those interceptors will hit one incoming warhead, but also that the leadership in the Kremlin will be absolutely certain that the interceptors will function perfectly. These assumptions are almost as implausible as the Star Wars fantasy.

To argue that a cruise missile force must match a Trident force in striking power, is merely to put up an Aunt Sally. No doubt Britain would need more than 48 at sea at any one time, because of the vulnerability problem; but 400 is a large and unexplained jump.

More peculiar still is the short section of the document which dismisses the hypothesis of a French alternative, as much for what it does not say as for what it does say. We are told that the new M5 missile will not be developed in time; but why is there no mention of the M4, which is rather new and is currently being fitted to the French submarine force? This carries six warheads, compared with three for Polaris, and has a significantly longer range according to published French documents, 3,750 nautical miles, compared with 2,500.

### Britain is not in the business of keeping up with the big boys

The clue to this lacuna, according to a man from the ministry, is that our chaps don't think much of the M4, but don't on any account want to upset the French by making disobliging comments. But is the real reason that the nuclear boys, having wangled a contract for Trident, with all the most modern knobs and whistles, are determined not to settle for anything less?

Probably; plus the fact that Britain's Ministry of Defence is the last shrine to the cult of the Special Relationship. One senior official remarked last week on the "strong, instinctive way the MoD and the intelligence community turn to the Americans as natural partners."

The paradox is that it makes no strategic sense for Britain to buy its "independent" nuclear deterrent from the Americans. So long as the US is committed to the nuclear defence of Europe, Britain's deterrent remains a superfluous vanity; it will only acquire real significance the day that the US starts to seem seriously detached from Europe's nuclear defence.

But the corollary of US detachment from Europe is almost certainly an American reappraisal of Britain's right to use its "independent" nuclear deterrent, especially if it could be mistaken for an American weapon. Since the Trident missiles will be serviced in America, Washington would have ample opportunities to exert pressure. Some experts believe that, without wholehearted support from Washington, the effectiveness of Britain's Trident force could erode within 18 months.

In other words, the day that a British Government concludes that the US is no longer reliably committed to Europe's defence, it has virtually no option but to launch a crash programme for a replacement deterrent. It seems rather silly to rely on a weapon system whose credibility will be most vulnerable when it is most needed.

David Owen, for one, believes there will be a weakening of the American military presence *in Europe in the near future.* This is how he put it in his new pamphlet *European Deterrence:* "Do not believe in five years' time there will be 325,000 US troops in Europe. Congress will reduce that upper limit within that period of time."

But the shadow of a reduced American commitment to Europe is not the only threat to the credibility of a British-owned Trident system. It could also come from a sweeping arms control agreement between the superpowers, and from an American insistence that Britain should make a contribution to such an agreement; for example, the kind of agreement that, ostensibly, was almost agreed at Reykjavik last October.

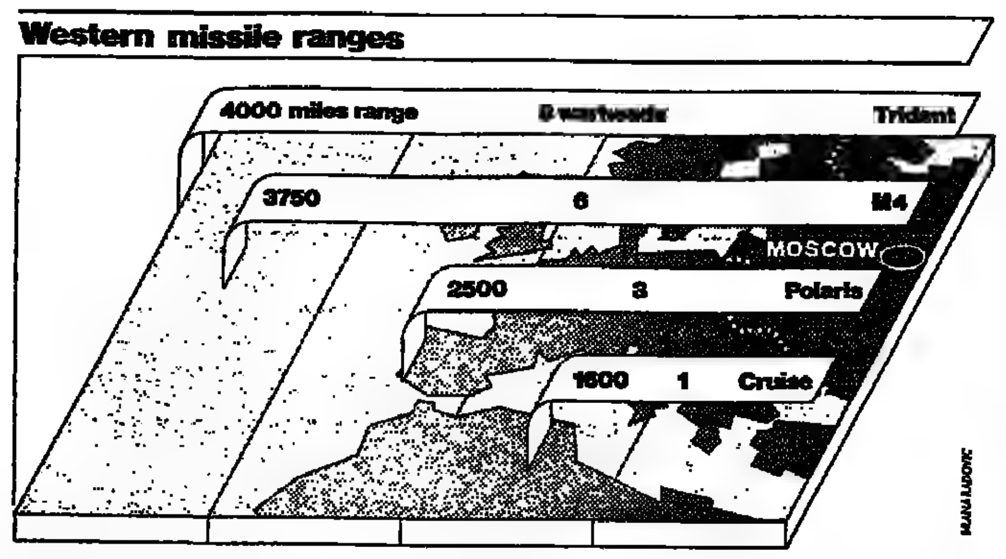
In fact, it was the shock of the Reykjavik summit, the sudden frisson of fear that President Reagan just might negotiate away all ballistic nuclear missiles, that caused the men from the Defence Ministry to go through the motions of reviewing the alternatives to Trident. But if so, what on earth induced them to reach *and publish* such feeble conclusions?

I imagine the reason is simple. They are content to rabbit on about the technical differencies between various weapon systems, because they will not discuss the political implications of the choice. Not to have ordered Trident in 1980 would have been one thing; to cancel it now, at a very uneasy phase in the transatlantic relationship, would feel at the MoD like a brutal vote of no confidence. So they soldier on with a deterrent whose technical capability is in stark contrast to its political incredibility

This is the sickness of the Special Relationship cult, which derives from the inequality of the relationship. David Owen believes strongly in the need for a continued British nuclear deterrent which would not be Trident. But he places this hardware question in the much broader framework of a stronger political and defence relationship between Britain and its European partners, especially West Germany and France; not in order to strike a distance between Europe and America (which seems to be the basic motivation of the Labour Party), but to strengthen the Alliance and the European-American relationship.

This is what he says in his pamphlet: "I passionately believe strengthening the European pillar is the mechanism whereby the US nuclear guarantee will actually be upheld. It is the mechanism whereby we will see a continued United States presence in Europe and a significant one . . .

"If as seems ever more likely there will not be 325,000 US troops in Europe in five years' time, we owe it to ourselves as Americans and Europeans to agree the number which the US can sustain for the future, based on US national interests. Then let us plan . . . how we Europeans will meet the shortfall."




## Lombard

# Freedom and government

By Samuel Brittan

"GOVERNMENTS TELL lies, cover things up, ration the truth and mislead. This is not to be sanctimonious: the British Government is perhaps no worse in this regard than others. The point is not its relative ranking in the honesty ratings: it is that government is prone to deceit and obfuscation, that it has enormously powerful means at its disposal to secure both and that its actions are much more potentially oppressive of individual liberty than any other agent or corporation in society, because of its monopoly over law and order."

The innocent reader might suppose that the above is a quotation from *The Road to Serfdom*, which Friedrich Hayek wrote in 1944 and which argued that a state-planned economy was not only inefficient and incoherent, but a threat to freedom and the rule of law. (The book is supposed to be Mrs Thatcher's favourite bedside reading; but it must have been getting dusty on the shelves in recent months.)

In fact the quotation is not from *The Road to Serfdom* at all, but from the leading article in the British left-wing weekly, The New Statesman, of January 30, written after its own premises had been raided by the police, but before the weekend night-time swoop on BBC Scotland.

But should not recent events give even the most self-assured "leftwinger" reason to reconsider some of his own cherished beliefs? If a government of a well established parliamentary democracy can sail as near to the wind in an authoritarian and censorious interpretation of national security as the British Government has, is it really a good idea to give this same Government the far greater power it would have if it controlled the "commanding heights" of the economy, if national planning replaced the profit motive and if all sizeable holdings of private wealth were abolished in the interests of promoting equality?

The democratic socialist believes that Parliament would protect the citizen from executive abuse. Even some ideal Socratic academy would have some difficulty in controlling a government that disposed of the means of production, distribution and exchange. But we are dealing with an actual Parliament, which could not last Friday summon up enough votes, not to endorse, but merely to give a hearing to a motion to incorporate the European Convention of Human Rights into British law.

Among the 94 MPs who voted for the "closure" — that is for a consideration of the motion — there were 60 Conservative Backbenchers and 18 Alliance MPs — a large majority of the total. But only 16 Labour MPs — a tiny fraction of the Parliamentary strength — voted for it. And that at a time when a Conservative Government has taken a whole series of actions —on official secrets, on the BBC, on an MI5 case in Australia, and on Westland — on each of which it might, just, drum up a sort of case—but which in total amount to a heavy tilting of the balance in favour of the executive and against free speech and open government. What hope then would there be of Labour MPs providing a barrier to a Socialist government acting in concert with the great trade union movement?

The relation between a market economy based on private property and a free society is often badly stated. The former is a necessary, but not a sufficient, condition of the latter. There have been numerous dictatorships which have preached — and occasionally practised — free market economics, but where torture, disappearance without trial and censorship of all political and cultural expression are the order of the day. But there are no examples at all of fully collectivist societies preserving basic liberties. Modern Sweden (where the nationalised sector is tiny) or Britain under Callaghan is about as far as one can safely go in economic intervention without affecting basic liberties. Attempts to go further towards "real socialism" or a trade union state always threaten basic liberties.

It was Thomas Jefferson who wrote "Who governs best, who governs least." This is a truth to which Thatcherite Tories and Reaganites pay lip service, but do not observe, and which the Left has still to rediscover.

## Letters to the Editor

### Cable systems ban

*From the Managing Director, Croydon Cable*

Sir,—The damaging effect of the British Telecom dispute, especially on many small businesses, underlines the importance of developing alternative, strike-free business communication systems.

Unfortunately British Telecom currently shares (and dominates) a duopoly with Mercury Communication which effectively prevents independent cable operators from offering voice telephony services until 1990. Thus, even if the present BT dispute were resolved along the lines of the two-year pay settlement reported by your Labour staff, there could still be another national dispute before the abolition of the duopoly.

The Government should reconsider its ban on cable systems offering voice telephony before 1990. An information - led economy needs competitive and alternative systems.

Alan S. M. Robinson,
*Royal Oak House,*
*Brighton Road,*
*Purley, Surrey.*

### Nuclear rate of return

*From Dr L. Brookes*

Sir,—Like Mr Scammell (January 30), Mr Roussopoulos (February 4) wants a high interest rate for computing the capital charges element in nuclear generating costs and a low or negative rate for discounting the costs of eventual decommissioning of the plant.

I will not spend much time on the first: the figure of 5 per cent real is a return to be achieved (as distinct from merely sought) and must allow for all uncertainties and contingencies. It must also be earned in the face of governmental and social pressure to keep the price of the product down. Five per cent above the going inflation rate in such circumstances strikes me as pretty good.

Mr Roussopoulos refers to the task of decommissioning as falling upon "some future social order" who might have forgotten how to do such difficult jobs and suggests we should discourage ourselves from enjoying the benefits of nuclear energy by adopting a negative discount rate for decommissioning costs so as to represent nuclear energy as astronomically expensive. In fact the task arises in about half a century for stations now being commissioned — a period distinctly shorter than the period for which we have enjoyed a public electricity supply. It will fall upon the electricity supply industry and is similar in principle to the responsibility of British Coal towards old spoil tips (some over 100 years old) and long disused coal mines.

Decommissioning simply calls for the electricity supply industry to manage its financial affairs so as to ensure that resources are available as and when needed — in the same way as a pension fund manager provides for future pensions; and there is no more reason in the decommissioning case than the pension case for agonising about the morality of the task or for adopting outlandish financial conventions. I do not think the "future generations" that Mr Roussopoulos refers to (about one and a half in fact) would expect us to show more concern for their welfare than our own; and it may be that the best legacy we could leave them would be a high level of income per capita — more likely with nuclear energy than without it.

Dr L. G. Brookes.
*16 Ipswich Road,*
*Bournemouth, Hants*

### Conflict at Lloyd's

*From Mr G. Stevens*

Sir,—I read A. H. Hermann's article (February 5) on Lloyd's with great interest.

The conflict of interest he identifies between a name and his agent did not arise with the advent of the limited liability agency, but long before then when names first entered into a financial arrangement with one of their number for the management of their Lloyd's affairs. From that time on, it was likely that the agent's financial interest in the agency contract would outweigh his personal interest as an underwriting member of Lloyd's.

I would submit, however, that the conflict of interest is more imagined than real, provided the name thinks of his agent primarily as a paid professional, on a par with his solicitor or accountant. The agent's livelihood depends ultimately on his being able to provide a satisfactory service to his names, and that is surely how it should be. His membership of Lloyd's is purely incidental, but should be of some comfort to the name, rather than a cause of concern, since it ensures that the agent shares the fortunes of his names on the syndicates in which they both participate.

So far as the agent's remuneration is concerned, the reality is that he is very modestly rewarded, unless his names make profits, whereupon his reward is increased by reference to the profits enjoyed by the names.

The formation of mutual associations would not obviate the need for paid professional management — compare the shipping mutuals — and the conflicts perceived by Mr Hermann would surely apply equally to such management.

G. E. Stevens.
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### Mobility of labour

*From J. Redwood*

Sir, — Samuel Brittan's analysis of the UK boom (February 5) fails to recognise the strong patterns of labour mobility that have been established in recent years.

The boom has been characterised by a collapse of our cities — every bit as marked in London as in the north — and a surge of building, development and new jobs in more rural and suburban areas especially in the south-east, south-west and East Anglia, but also in the West Midlands and in parts of Yorkshire and Scotland.

Between 1975 and 1985 the population of London and the six metropolitan counties of England fell by a staggering 872,000 people. Meanwhile the population of the East Midlands rose by 135,000, of East Anglia by 172,000 of the south-east, excluding Greater London, by 588,000 and the south-west by 244,000. There has been a phenomenal house building boom across the south-east and the results have been that many of the most enterprising and adventurous people have given up hope of a good life in our cities and have moved out. No wonder we have problems of inner-city dereliction and tattiness, with a population movement of this magnitude constantly taking away some of the best people from the cities.

Looking at the figures one is forced to the conclusion not that ways have to be found to try to ship yet more active enterprising people out of the cities but ways to rebuild enterprise within the cities themselves. Docklands is the first example of how this can take place and the sooner the lessons are learned more widely the better.

I notice too that Mr Brittan is beginning to waver in his newfound enthusiasm for the EMS. He admits that the devaluation against the Deutsche Mark that we have enjoyed in recent months is beneficial to UK industry and the economy. Yet he was arguing a few months ago that we should have gone in to the EMS at much higher level of sterling against the Deutsche Mark and held to the discipline that implied. I note that he also now concedes that even within the EMS, because there are frequent re-alignments, we might take the easy course of devaluing with the weaker currencies. Does this not undermine much of the argument about discipline which he has used so substantially in recent months?

John Redwood.
*506 Queen's Quay,*
*Upper Thames Street, EC4.*

### Worth every stud?

*From Mr I. Lamont*

Sir,—I was intrigued by reports that Tottenham Hotspur was considering the acquisition of Mr Diego Maradona for a sum reputed in the region of £10m. How, I wonder, would such an "investment" be treated in the company accounts? Mr Maradona's skill in the game of association football is not at question but, alas, he is human and, as such, must be considered as a wasting asset on a balance sheet. What can be asked, however, is should the purchase price of a player be amortised over, one, five, 10 or 20 years? What is the "playing life" of a soccer superstar?

With the price of top footballers now surpassing that of thoroughbred horseflesh, a parallel can be drawn and a change in the "investment" attitude of soccer clubs seems overdue.

Very few racehorses win sufficient stake money to recoup the cost of the "investment" made by their owners. Can Mr Maradona be expected to increase a club's gate and prize money sufficiently to cover the cost of amortising a £10m investment? The real investment value of a top racehorse lies in the bloodstock industry's unswerving devotion to genetics.

Shareholders in Tottenham Hotspur, or any other club contemplating the purchase of a soccer equivalent of Nijinsky or Northern Dancer would, I feel sure, find the amortisation of such a multi-million pound investment much simpler if the club was assured of revenue from their "star" beyond the relatively brief period in which he can display his talents to the public on a playing field.

Could the stability of Tottenham's share price, as noted by Lex (February 5) be due to insider knowledge of horse dealing?

Ian K. Lamont,
*Fairlight Cottage,*
*Hickmans Lane,*
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FINANCIAL TIMES

Monday February 9 1987



Roderick Oram on Wall Street

# Premium appeal of discounter

A SUDDEN dip in the Dow Jones industrial average sparks a lively debate among a knot of regulars hanging out at the Charles Schwab discount brokerage office in midtown Manhattan. Clustered half-a-dozen deep around a bank of stock quotation machines, they offer each other insights into the exhilarating, if perplexing, market.

"It just took out 2, 190."

"Is that bad?"

"Terrible."

"Huh?"

"It's an important resistance level."

"So? Is it *the* correction, or what?"

"May be. It's a tired market."

"Nah. Its taking a little breather. That's all."

"Yeah. Would ya look at that breadth a moment. Advances have it over declines."

Oblivious to the discussion, other customers punch stock symbols into the quotation machines with the fixation of one-armed bandit players. Behind them, several dozen people sunk into sofas gaze up at a 20 ft long electronic ticker board carrying each transaction on the New York Stock Exchange down on Wall Street.

Some people are here all day, everyday. To them the discount broker's office is to the stock market what pubs are to politics. Talk has it over trades most of the time, although big price movements can get the real traders grabbing the direct phones to Schwab's order desks.

In the first five weeks of this year, the Standard & Poor's index of 500 blue stocks has risen 25 per cent, almost double its advance in all of last year. Institutional investors have been the main driving force behind the rally but inevitably small investors have been sucked in, some for the first time.

Fidelity, the second largest discount broker after Schwab, has had 40 per cent more brokerage business so far this year than a year earlier, says Mr Paul Greeley, manager of its store-front office on the corner of Park Avenue and 51st. "Some days we have 1,000 customers," he says. Many come to buy Fidelity's mutual funds, some to check quotes and call the firm's brokers while others just stare, some for hours on end, at the ticker.

The clientele is mixed, with some blue-collar workers but inevitably a preponderance of office staff and professionals given its high-rent location. On the opposite corner BMW exhibits retired racing cars splashily painted by the likes of Andy Warhol. Across Park Avenue, next to the Waldorf-Astoria, stands St. Bartholomew's Episcopal Church, famous for a bitter dispute about God and mammon which has long split its vestry.

"This is heaven," says Lillian Friedman of the Fidelity shop's services and location near her favourite libraries. A lively woman in her mid-fifties and a keen stock market player for years, she likes to be able to walk in off the street, as she did on Friday on the way to the Alliance Française library, to check prices and perhaps to trade.

When the shop is closed, she turns to Fidelity's 24-hours-a-day, seven-days-a-week phone service. Last Sunday, for example, she spent all day studying newspapers before calling Fidelity in the evening to write some stock options.

Her portfolio is heavy on computer hardware and software stocks at the moment, with her selections demonstrating an impressive knowledge of small, respected, high fliers – the Apples of tomorrow. Books are her first love, but computers and telephones are close behind.

"If Napoleon had called Moscow to check the weather, he wouldn't even have thought of going."

Among the other customers, Rohit Modi has taken time off from his graphic design business to invest some money for his 20-month-old son. Mr Modi has been taking evening courses in investment at New York University but has brought along a friend, Mr Pavan Sahgal, editor-in-chief of Wall Street Computer Review, for a second opinion. They decide to put $1,500 in Fidelity's Puritan Fund.

This is hardly the frenzied speculation which characterised the 1929 crash. Bellhops aren't yet the fount of all wisdom although John Mendelsohn is listening carefully. Chief market technician of Dean Witter Reynolds, a leading brokerage house, he thinks everything about today's market is thoroughly bearish but he says he needs a "flash of inspiration" before calling the turn.

Back in the 1984 raging bull market, the flash came in a finance committee meeting at his children's convent school. Normally the nuns spoke only about education topics but when he suggested selling some shares, one interjected "Oh, Mr Mendelsohn, is that wise? Everyone knows one makes money in shares."

BRITISH AIRWAYS SHARE ALLOCATION FAVOURS SMALL INVESTORS

# Institutions lose out in BA offer

BY RICHARD TOMKINS IN LONDON

THE OVERWHELMING response to the British Airways flotation has resulted in institutional investors being eliminated from the UK public offering and small investors being allocated only a fraction of the shares they sought.

All applications for more than 100,000 shares have been rejected in their entirety and smaller investors will in most cases receive only 200 to 300 shares each. The maximum allocation will be 1,000 shares.

The severe rationing has been caused by the unexpectedly strong response to the issue. Nearly 1.1m applications were received by the close on Friday morning, compared with the 500,000 which had been expected.

The total value of the applications received in the UK public offering was £9.75bn ($14.81bn) – substantially more than the £8.4bn worth of applications for the far bigger British Gas float in December.

A last-minute wave of enthusiasm for the issue was prompted by healthy overseas demand for the shares, a price at the low end of the expected range, and the recent strength of international stock markets.

Hill Samuel, the merchant bank sponsoring the flotation, yesterday rejected any notion that it had underpriced the offer.

Mr David Bucks, vice-chairman, said the London stock market had risen by 7 per cent between the day the price was set and the close of the offer. "Any taxi driver could work out what that meant."

Mr Bucks said it was the commentators' judgment that the issue had been priced correctly which ensured its success. "I am absolutely convinced that if we had priced it higher we would have stood a very strong chance of seeing it flop."

British Airways' employees emerged as enthusiastic applicants for the shares and will receive preferential treatment in the allocation. Priority applications will be met in full for up to 25,000 shares, and this combined with the other special offers to employees will leave them with nearly 10 per cent of the airline's total equity.

**BRITISH AIRWAYS: Basis of Allocation**

| Shares applied for: | Allocation |
|---|---|
| 400–1,500 | 200 |
| 2,000–5,000 | 250 |
| 6,000–10,000 | 300 |
| 15,000–35,000 | 350 |
| 40,000–100,000 | 1% |
| Over 100,000 | Nil |

Of the total offer for sale, some 66 per cent of the 720.2m shares had been pre-placed with institutional and overseas investors, leaving only 34 per cent of the £900m issue for the UK public offering.

With £9.75bn chasing this portion of the offer, it was subscribed 32 times, easily triggering the clawback of shares from the institutional and overseas allocation. That increases the UK public offering to 47 per cent of the issue and leaves it 23 times subscribed. The whole issue was 11 times subscribed.

The elimination of big investors from the UK public offering and the clawing back of their shares from the pre-placing will leave them starved of shares and increase the likelihood of a big premium when dealings begin on Wednesday afternoon. Analysts are forecasting that the 65p partly-paid shares will open at 90p to 95p.

Although the method of allocation leaves shareholders with parcels of stock too small for many to consider worth holding, it prevents individuals from being heavily exposed to what is widely perceived to be a relatively risky investment.

It will also spread the first-day dealing gains among the populace rather than putting them in the hands of a few big speculators, and avoids the need for a ballot.

Mr John Moore, the Transport Secretary, called the flotation "a resounding success."

"Even a few weeks ago, many commentators were arguing that it would be very difficult. I am delighted that they have been proved wrong and that the public has placed such faith in this great British company," he said.

Details, Page 18

# Shultz seeks to calm allies' fears on deployment of SDI

BY STEWART FLEMING IN WASHINGTON

MR GEORGE SHULTZ, the US Secretary of State, sought yesterday to ease fears within the Western Alliance and on Capitol Hill that Washington was moving rapidly towards an early decision to deploy a first phase of the so called Star Wars defence initiative and to adopt a reinterpretation of the 1972 Anti Ballistic Missile (ABM) Treaty, a move which Administration critics say would effectively block progress towards an arms control agreement with Moscow.

In an interview on US television, Mr Shultz said that President Reagan's position is that it is not possible to make a decision on early deployment "this year or next year ... There isn't any early deployment decision in the offing."

However, Mr Shultz said considerable progress had been made in the Strategic Defence Initiative (SDI) research programme and that it is now clear that, to pursue the programme more effectively, requires a different pattern of testing of SDI than is permitted by the ABM Treaty.

Mr Shultz said that the Administration would consult "with our allies on all of these things and with the Senate" before making a decision.

His comments came as some reports suggested that President Reagan was leaning towards the adoption of a re-interpretation of the terms of the ABM treaty that would allow more extensive testing of potential SDI components.

According to Mr Richard Perle, the Assistent Secretary of Defence who is widely seen in Washington as the most able and forceful critic of past arms control agreements. The adoption of a broader interpretation of the 1972 ABM Treaty could improve prospects for reaching an arms control agreement with Moscow by making the SDI programme more effective.

"The more effective the SDI programme, the more leverage we are likely to have" in the arms talks with Moscow, Mr Perle said, at the weekend.

He also indicated, however, that reports suggesting that a decision on early deployment was imminent were premature. He also made it clear that there would be time for consultations with US allies and with Congress.

Mr Caspar Weinberger, the US Defence Secretary, said yesterday on BBC television that said deployment of SDI would mean changes in the ABM Treaty but not violations of it.

"Everybody agrees that when we are ready to deploy, we would have to take advantage of the provisions of the ABM Treaty... which call for revisions or changes or additional permissions not now in the treaty, and we would do that. We would follow the provisions of the Treaty that permit that. So no one is talking about violating the treaty."

The report that the Reagan Administration might move unilaterally to adopt a more flexible interpretation of the ABM treaty, to allow a wider range of SDI testing, has heightened tension within the Western Alliance about the drift of US foreign policy.

Arms control advocates see the ABM Treaty, which limits the testing and deployment of both ground and space-based anti-missile defence systems, as the last remaining foundation on which effective arms control agreements between the US and Moscow can be based.

They fear that a unilateral decision to re-interpret the treaty would effectively doom prospects for reaching a new arms control accord.

At the Reykjavik summit last October, Mr Mikhail Gorbachev, the Soviet leader, pressed President Reagan to accept stricter curbs on SDI research. When the President refused, the talks broke down without agreement. Arms control supporters now fear time is running out if progress is to be made towards another summit between the two leaders where the outlines of new agreements might be reached.

There is speculation, however, that Moscow may be moving towards a new arms control proposal.

# AHP follows bid for Robins with pledge to Dalkon victims

BY ANATOLE KALETSKY IN NEW YORK

A HUGE trust fund, worth at least $1.5bn, will be set up to compensate women who were injured by the Dalkon Shield intra-uterine contraceptive if American Home Products (AHP) succeeds in its bid to take over A. H. Robins, the health care company which manufactured the device.

The size of the fund could, however, dampen Wall Street expectations of how much will be offered to Robins shareholders under the AHP proposal.

Shares in Robins – which has been under court protection from its creditors since August 1985 – have doubled since AHP's intentions were revealed. They closed on Friday at $24½, a level which values the common shareholders' stake in the company at $590m.

AHP has not yet put a value on its unexpected bid for Robins, which was announced last Wednesday. However, it is becoming clear that the fate of the merger proposal will be determined not by Robins' shareholders but by the lawyers who represent the thousands of women sueing Robins for uterine injuries, sterility and other ailments allegedly caused by the Dalkon Shield.

A series of meetings among these lawyers is due to begin today, and while preliminary reaction to the bid has been favourable from some of the litigants, AHP could be forced to spend far more money on settling Dalkon Shield claims than had earlier been anticipated by Robins.

AHP, which is interested in buying Robins because of its best-selling cough and cold medicines, including Robitussin cough mixture, is making it clear that a once-and-for-all settlement of Robins' product liability claims will be a key feature of its bid.

AHP will probably attempt to indemnify itself against future legal action by establishing a large trust fund and then seeking an injunction against further litigation from the US courts. This is how the long-running saga of liability for asbestosis was finally resolved.

However, one of those closely involved in both the Robins litigation and the negotiations with AHP points out that "talk about only $1bn worth of claims against Robins is nonsense." The true value of the settlement will need to be much higher, several experts believe.

Before Robins filed for chapter 11 bankruptcy protection 18 months ago, the average claim it had settled cost $74,000. The $1bn sometimes mentioned by the company appears to have been based on a calculation, made in 1985, that only 12,000 to 14,000 claims would ultimately be paid. Since then the company has been flooded with 327,000 lawsuits.

Of these claimants, 200,000 replied to a questionnaire sent out by the bankruptcy court last year and are considered as potentially serious litigants. Even if only a quarter of these should ultimately be settled at the average 1985 cost, Robins would end up paying more than $3.5bn, one lawyer pointed out.

## World Weather

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ajaccio | S | 15 | 59 | Dubrovnik | S | 9 | 48 | Malta | C | 15 | 59 | Rhodes | F | 14 | 57 |
| Algiers | S | 19 | 66 | Edinburgh | F | 9 | 48 | Manchester | R | 10 | 50 | Rio de J'o | C | 39 | 102 |
| Amsterdam | R | 6 | 43 | Faro | S | 18 | 64 | Manila | S | 30 | 86 | Rome | S | 15 | 59 |
| Athens | R | 9 | 48 | Florence | S | 9 | 48 | Melbourne | F | 18 | 64 | Salzburg | C | 4 | 39 |
| Bahrain | S | 20 | 68 | Frankfurt | R | 3 | 37 | Mexico City | S | 13 | 55 | San Francisco | F | 11 | 52 |
| Bangkok | S | 33 | 91 | Funchal | C | 17 | 63 | Miami | C | 15 | 59 | Seoul | S | 8 | 46 |
| Barcelona | S | 15 | 59 | Geneva | C | 5 | 41 | Milan | Fg | 2 | 36 | Singapore | F | 30 | 86 |
| Beirut | F | 16 | 61 | Gibraltar | S | 16 | 61 | Montreal | Sn | −3 | 27 | Stockholm | F | −11 | 12 |
| Belfast | S | 10 | 50 | Glasgow | F | 9 | 48 | Moscow | C | −4 | 25 | Strasbourg | C | 5 | 41 |
| Belgrade | S | 1 | 34 | Guernsey | Fg | 9 | 48 | Munich | C | 5 | 41 | Sydney | F | 29 | 84 |
| Berlin | C | 2 | 36 | Helsinki | Sn | −15 | 5 | Nairobi | S | 26 | 79 | Taipei | S | 24 | 75 |
| Biarritz | C | 12 | 54 | H. Kong | S | 21 | 70 | Naples | S | 15 | 59 | Tangier | S | 17 | 63 |
| Bombay | S | 31 | 88 | Innsbruck | F | 2 | 36 | Nassau | — | — | — | Tel Aviv | C | 15 | 59 |
| Bordeaux | C | 12 | 54 | Inverness | S | 9 | 48 | New Delhi | F | 24 | 75 | Tenerife | — | — | — |
| Brussels | D | 8 | 46 | Islamabad | R | 8 | 46 | New York | S | 2 | 36 | Tokyo | S | 14 | 57 |
| Budapest | S | 3 | 37 | Istanbul | D | 6 | 43 | Nice | S | 13 | 55 | Toronto | C | 3 | 37 |
| B. Aires | R | 23 | 73 | Jakarta | R | 30 | 86 | Nicosia | C | 17 | 63 | Tunis | C | 16 | 61 |
| Cairo | F | 19 | 66 | Jersey | C | 9 | 48 | Oporto | — | — | — | Valencia | — | — | — |
| Cape Town | S | 23 | 73 | Jo'burg | F | 24 | 75 | Oslo | F | 0 | 32 | Venice | F | 6 | 43 |
| Caracas | S | 26 | 79 | Lima | S | 28 | 82 | Paris | D | 9 | 48 | Vienna | F | 3 | 37 |
| Casablanca | S | 16 | 61 | Lisbon | S | 8 | 46 | Peking | S | 12 | 54 | Warsaw | C | −1 | 30 |
| Chicago | C | 3 | 37 | London | D | 11 | 52 | Prague | C | 1 | 34 | Washington | S | −1 | 30 |
| Cologne | C | 4 | 39 | Los Angeles | S | 17 | 63 | Reykjavik | F | 3 | 37 | Zurich | C | 4 | 39 |
| Copenhagen | F | 3 | 37 | Luxembourg | R | 4 | 39 | | | | | | | | |
| Corfu | S | 14 | 57 | Madrid | S | 13 | 55 | | | | | | | | |
| Dallas | S | 3 | 37 | Majorca | — | — | — | | | | | | | | |
| Dublin | F | 11 | 52 | Malaga | S | 17 | 63 | | | | | | | | |

*Readings at mid-day yesterday*
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

# Joint European arms market

Continued from Page 1

common budget, starting at Ecu 100m ($111m) and rising to Ecu 500m a year.

But the Vredeling team recognises the fundamental obstacles to greater European defence collaboration are political

It acknowledges the reality that all governments will want to protect employment and technology in their national industries; that the more advanced IEPG nations will not transfer their technology unless it is properly safeg uarded; but that the less-developed IEPG countries in southern Europe will keep pushing for a bigger share in defence collaboration.

# US claim on Iran arms deal under fire

By Lionel Barber in Washington

THE REAGAN Administration's argument that secret US arms sales to Iran were aimed at bolstering moderate factions in Tehran was badly dented yesterday following publication of a top-secret memorandum written last year by Vice-President George Bush's Chief of Staff.

According to the memorandum, a key Israeli Government official acting as link-man between the US and Iran told Vice-President Bush last summer that "we are dealing with the most radical elements" in Iran because "we have learned that they can deliver and the moderates can't."

The memorandum, whose authenticity was confirmed by the White House yesterday after it was published in the Washington Post, also quotes the Israeli official, Mr Amiran Nir, as saying that Iran wanted to "squeeze as much as possible" out of Israel and the US "as long as they have assets."

President Reagan has consistently denied that his Administration bartered US arms for American hostages held by pro-Iranian extremists in Lebanon.

The White House yesterday attempted to play down the significance of the document, saying that it had already been provided to the Senate Intelligence Committee. A spokesman rejected the idea that it contradicted President Reagan's explanation of the secret US arms sales to Iran.

The spokesman said: "The committee did not reach the same conclusion as the Washington Post."

The Senate Intelligence Committee, however, did not mention the memorandum in its report, apparently following objections from the State Department. More specifically, the authors of the report stated publicly that they had no intention of offering conclusions on the Iran affair since all the relevant evidence was not yet available.

The memorandum appears to undercut that defence and reinforces earlier impressions, notably in the recent Senate intelligence committee report investigating the arms sales, that Mr Reagan's prime concern was to secure the release of the hostages.

The memorandum also appears to confirm what Israeli Government officials have denied – that Israel played a pivotal role in establishing and then co-ordinating the arms channel to Iran. Mr Nir is quoted as saying of the Israelis: "We activated the channel. We gave a front to the operation, provided a physical base, provided aircraft..."

The memorandum, written by Mr Bush's Chief of Staff, Mr Craig Fuller, covers a meeting held between the US Vice-President and Mr Nir last July. It followed a failed mission by Mr Robert McFarlane, President Reagan's national security adviser, who flew to Tehran two months earlier carrying a cake and a Bible and a planeload of arms for the Iranians.

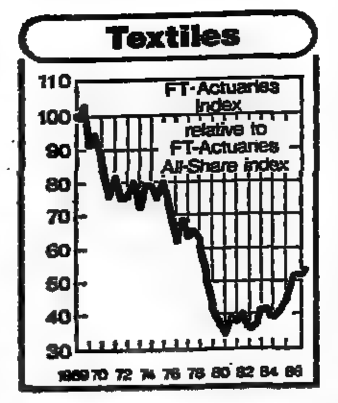
Mr Bush made a widely acclaimed speech in December describing the US strategic interest in opening contacts with moderates in Tehran but acknowledging that the Administration had made some mistakes. The memorandum suggests that he knew the US was in reality making a straight swap of arms for hostages.

The Washington Post said that Mr Bush's only known response to the memorandum from his chief of Staff was to order it to be passed to Lt-Col Oliver North, the National Security Council aide who ran the secret Iran operation and was later dismissed for his role in the affair.

THE LEX COLUMN

# According to their cloth

Hard to believe it, but textile shares once traded on a multiple close to the stock market average. The long and accelerating decline of the sector in the 1970s has only been partially reversed in the 1980s, in share price terms at least. Yet the changes that have taken place in the industry are little short of revolutionary. The textile cycle may still exist, but its savagery should be a thing of the past.




The regeneration of the industry is practically a business school textbook example, and is littered with all the fashionable jargon. No longer production-led but market-driven, added value is every textile executive's priority. Operational gearing has been unwound and financial ratios transformed. It was largely a new generation of management, typified by Sir Christopher Hogg and Mr David Alliance, which has wrought the changes.

Old managements, brought up when the manufacturers held power through rationing and post-war shortages, when anything that was produced could be sold, were still building bigger and better plants into the 1960s and 1970s. Keeping factories at full load was the prime consideration. If a downturn came, losses were inevitable, and when importers undercut prices for the commodity products – the likes of plain fabrics or white shirts – all the domestic industry could do was squeal. Imposing quotas on imports, through the Multi-Fibre Arrangement, was some help, although such restrictions served, as so often, to prolong the problem as much as solve it. Now the UK companies are meeting the challenge of imports and the problems of volume production in two ways – playing up their own advantages and imitating their rivals'.

## Unobservant

In many ways the UK industry had been remarkably slow to spot that the shift of power to the consumer, born out of changes in fashion and the demands of retailers, could be turned to its gain. Indeed, without the likes of Marks and Spencer, continually prodding the textile groups, the industry might never have recovered. Once consumers had discovered they did not have to wear a single uniform, denim with everything, the retailers were forced to meet their more varied demands and in turn needed suppliers who could provide the right designs, colours and quantities of stock.

What has developed is a domestic textile industry, vertically integrated and with technology in place, able to deliver to M&S from stock within a week, or make up from scratch in four. Importers cannot beat that timing, or even come close to matching it. Nor, with that time disadvantage, can they offer the flexibility of dyeing fabric for the next batch of trousers, after early sales have shown which is the most popular colour. Simpler products, such as towels, can be made in grey cloth, then dyed and delivered to retailers within days.

## Pipeline

When goods pass so quickly down the pipeline, the problem of being caught with unsaleable stocks is much reduced. But sales-driven manufacture is not the only way of avoiding that expense. The plan of using importers as swing producers, expounded by Coats Viyella among others, means that domestic capacity can be fully utilised and any downturns in demand will hit the importers.

The UK industry is going further than that in turning low cost production overseas to its advantage, and becoming far more international. Tootal's joint venture producing polyester thread in China, for sale there and export around the world, is an "if you can't beat them, join them" response. Coats Viyella's answer is to beat them by cutting the cost of its own production, through capital investment. A shirt can now be made in 13 minutes, compared to twice that time three years ago. Lancashire can even compete with Hong Kong on price. If shirt manufacturers in the Far East buy the same technology, they would only be removing their own advantage of cheap labour. Meanwhile, Dawson International is an international aggressor, with the bulk of production going to exports.

A result of such efforts and of much tighter management controls, has been the strengthening of balance sheets, to the extent where debt is minimal and even Courtaulds is starting to make acquisitions again. Return on capital, miserable five years ago, is above 20 per cent once more.

## Discount

So should fund managers once again regard textile companies as sound investments rather than stocks to avoid or takeover speculations? Undoubtedly the quality of earnings has improved with greater stability, and the market has begun to recognise it. Already this year the sector has risen by close to 20 per cent, while the market is up by 10 per cent. But the p/e discount to the market of over 20 per cent for Courtaulds, the sector leader, is still too great.

If companies closest to the consumer, such as the retailers, are generally rated well above the market, a manufacturing business only one step back from the High Street, and arguably as much distributor as producer, should be accorded something nearer the market average. The buoyancy of consumer demand cannot last forever, and no doubt difficult patches will arrive again. But the industry is now far better placed to cope with downturns, simply because it is capable of producing what will sell rather than being left with what will not.

The overseas producers have not disappeared. Although their attention had been turned on the US when the dollar was strong, it could return to Europe now, with the renegotiated MFA more generous in its quotas and the likelihood that one day the industry will be unprotected once more. While sterling's fall against the non-dollar currencies is some protection, and a help to exports, many of the Far East producers work in dollar-related currencies and thus are becoming more competitive. But as technology continues to progress, further reducing the labour content and speeding up the response time to the retailers, the UK industry ought to keep an edge on its competitors.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday February 9 1987



# West German bond market remains buoyant

BY HAIG SIMONIAN IN FRANKFURT

OFFICIALS at the Bundesbank and in the West German Ministry of Finance must be rubbing their hands with glee. Last Thursday's DM 4bn government bond issue – the first for 1987 – demonstrated that the seller's market for federal government bonds that was such a feature last year shows no signs of tailing off.

If anything, the see-sawing US dollar has made foreign investors keener than ever to buy West German Government securities. So much so that traditional yield relationships between different types of instruments have been stretched almost beyond recognition and some entrenched financing tools may even be in danger of extinction.

Responsibility for the change lies squarely with foreign investors, who have been steadily buying West German Government securities, principally as a currency play to get in to the strong D-Mark.

That buying spree has pushed down yields on government bonds and allowed the federal government to expand the maturity range of its bond issues. Two issues last year even had previously unheard of 30-year terms, against the normal 10.

Meanwhile, the federal government's new issues of Schuldscheindarlehen – a form of semi-marketable syndicated loans – have tailed off sharply. The instruments, normally of five to 10-year maturities, used to be foreign investors' favourite way of buying into West German Government debt. Though their liquidity was limited, Schuldscheindarlehen, unlike bonds, were free from the country's 25 per cent withholding tax.

The removal of withholding tax in August 1984 changed all that. Back in 1981, new gross issues of Schuldscheindarlehen by the federal government amounted to DM 53.1bn against just DM 7.7bn in bonds. By 1985, the proportion had changed to DM 12.4bn and DM 18.5bn respectively. Gross borrowing figures for the first half of last year confirmed how strongly new government bond issues had gained the upper hand; while the government issued DM 8.3bn in Schuldscheindarlehen, new bonds amounted to DM 13.4bn.

The steady decline in yields on new government bonds speaks volumes about foreign investor demand. Although not as low as yields last April and May, last Thursday's 5¾ per cent 10-year government issue was nudging rock bottom with its 5.82 per cent yield. The government issued bonds with a lower coupon only last year. But in yield terms, Thursday's issue even undercut September's 5¾ per cent bond, now yielding 5.92 per cent.

Tumbling government bond yields have profound implications for other West German financial instruments. According to a report by Mr Graham Bishop, of Salomon Brothers, published today, the most telling effect could be on West Germany's communal bonds (Kommunalobligationen).

These are bonds issued by public and private mortgage banks against the collateral of loans to – or guaranteed by – a West German public sector entity.

Communal bonds now yield 80 basis points more than 10-year federal government bonds, having touched a full point differential last September. "The ballooning of yield spreads is simply due to the fact that practically the whole of foreign demand squeezed through the needles eye of public sector bonds – with a clear preference for federal government issues", notes Dresdner Bank.

However, that yield margin is not necessarily based on any radical difference in credit quality. Among the possible borrowers or guarantors for banks' communal bonds are entities like the federal government itself (including the federal post office and railways), West German states, local and regional authorities and other public bodies.

Why then the spread differential? Partly because international investors are more aware of, and certainly feel more at home with, government debt than with communal bonds, despite their high quality.

More important, the secondary market for communal bonds lacks liquidity, although it is five times the size of the government bond market. That is part of the reason why communal bonds trade at substantially higher yields.

But if the federal government continues to reduce its borrowing via Schuldscheindarlehen, there could be profound repercussions for the communal bond market, which depends on such securities as collateral. The levels of outstanding public sector Schuldscheine and communal bonds have been related closely in the past.

Moreover, communal bonds could be under an even bigger squeeze if West Germany's other public sector issuers of Schuldscheine follow the federal government's example and substitute potentially cheaper bonds, says Mr Bishop.

In that event, the pool of available collateral for new communal bonds will shrink further. The result? Spread differentials between communal bonds and federal government issues may be embarking on a long term decline.

EUROMARKET TURNOVER
Turnover ($m)

| | Straights | Conv | FRN | Other |
|---|---|---|---|---|
| **Primary Market** | | | | |
| US$ | 1,961.4 | – | 318.0 | 3,711.5 |
| Prev | 2,885.4 | – | 1,518.4 | 3,752.5 |
| Other | 744.0 | 5.8 | – | 247.8 |
| Prev | 3,388.5 | 142.2 | – | 266.2 |
| **Secondary Market** | | | | |
| US$ | 24,127.2 | 2,202.1 | 20,247.8 | 5,918.4 |
| Prev | 25,306.7 | 1,722.2 | 22,848.1 | 6,862.2 |
| Other | 18,669.5 | 304.1 | 2,492.2 | 9,119.8 |
| Prev | 18,318.7 | 315.9 | 3,249.6 | 10,923.4 |

| | Cedel | Euroclear | Total |
|---|---|---|---|
| US$ | 14,854.8 | 43,631.6 | 58,486.4 |
| Prev | 16,708.7 | 48,986.8 | 65,695.5 |
| Other | 13,546.5 | 18,036.6 | 31,583.1 |
| Prev | 13,451.7 | 23,152.8 | 36,604.5 |

Week to Feb. 6, 1987 Source: AIBD

# British Airways flotation lifts sterling strength as dollar fades

BY CLARE PEARSON IN LONDON

THE Eurobond new issues market sprang into action last Friday after turning over listlessly on piecemeal activity in the non-dollar sectors for much of the week.

Friday's lively marketplace was still dominated by the currencies other than the dollar. Eurosterling was particularly prominent but a couple of houses were emboldened by the successful completion of the US Treasury auctions in New York to launch Eurodollar issues.

The crop of sterling issues was prompted by the closing of the offer period for the British Airways flotation. Prior to this, the Bank of England had discouraged bond market offerings. But as the last application form changed hands on Friday morning, Samuel Montagu was able to launch a £100m deal for Finland into the vacuum.

The timing was auspicious since the market was in a buoyant mood, gilt yields having eased the night before to below 10 per cent, a psychological barrier in recent weeks.

Like the two issues that quickly followed it, Finland's reaped the benefits of the recent hiatus, which has allowed outstanding issues to be absorbed and left continental European investors calling out for more.

Still, Samuel Montagu was certainly playing safe with the pricing of Finland's issue since its yield was pitched at a mere 10 basis points below the reference gilt – well above the level on some comparable issues in the secondary market. As a result, its early trading looked distinctly frothy.

But dealers said the caution had been justified since the secondary Eurosterling market is a poor guide to appropriate levels in the new issues market.

Nevertheless, the lead-managers of the second two issues – for Caisse Nationale des Telecommunications and Philips – certainly took the point. These bonds sported yields well below those on gilts – 30 basis points, in the case of Baring Brothers' deal for Philips, terms which the market considered tight.

All of the issues ended the day at prices within their total commissions, however. The buying emanated chiefly from continental accounts

The Australian dollar market continued a favourite among new issue managers last week. This sector has expanded both in volume and status this year, graced with issues for borrowers of the likes of the World Bank and Nordic Investment Bank.

Some dealers say its investor base has been broadening too, with increased buying from Canada, although the Japanese are still reluctant takers, having had their fingers badly burned last year when the Australian dollar plummeted on the foreign exchanges.

Continental investors are still the mainstays of the market, however, and there were the usual concerns that this year's heavy issuing volume would prove too much for them.

Last week, however, dealers said they were keen buyers having decided that at an exchange rate of around $0.80 to the D-Mark the sector was a buy.

Elsewhere, leading houses were proclaiming that a revival was in store for the floating rate note (FRN) sector, arguing that the sell-off over the last few months had left it substantially undervalued.

Such murmurings were partially responsible for some hefty price rises on Thursday as other houses rushed to cover short positions. But, as one dealer said: "I can't see that any fairy has waved its magic wand over the market."

The readiness of professionals to sit on long positions should encourage end-investors to reappear but at the moment dealers say customers are still awaiting signs of stability before they start buying.

Dealers in the D-Mark market spent last week wondering at what level the dollar would eventually stabilise, although the market retained a positive undertone. The new federal issue met firm demand, trading consistently at levels above its 99¾ issue price.

In Switzerland, prices in general were unchanged at the end of the week although buying interest in issues for better known borrowers had pricked up.

Equity linked issues were in continued demand – partly because there have been comparatively few such deals in the market this year. A SFr 100m deal for Dumenil-Leble traded at 115¾ bid, and the convertible for Kuraray at 106 bid.

# Ferruzzi in talks to buy Brazilian group

BY ALAN FRIEDMAN IN MILAN

FERRUZZI, the Italian agri-industrial group which is Italy's third largest private company after Fiat and Montedison, is to acquire one of the biggest food groups in Brazil in a deal worth $135m.

As the result of a visit to Sao Paulo by Mr Raul Gardini, Ferruzzi chairman, his company has agreed the purchase of near-full control at Companhia Industrial de Conservas Alimenticias (Cica).

Cica, which has five factories in Brazil and employs 4,500 people, last year made a pre-tax profit of about $22m on turnover of some $220m.

Ferruzzi, which employs about 10,000 people and has an annual turnover of about $7bn, controls the Eridania and Beghin-Say sugar groups in Italy and France, and is hoping to acquire British Sugar in the UK. The British Sugar issue awaits a decision from Britain's Monopolies Commission.

The latest deal covers 98.7 per cent of Cica's equity.

● Italtel the Italian state telecommunications equipment company which will soon merge with Fiat's Telettra subsidiary, lifted 1986 consolidated profits by 66 per cent to L70bn ($53.8m), according to Mrs Marisa Bellisario, managing director.

The preliminary profit figure, which follows a similar improvement in 1985, comes only a few days before a key meeting to finalise the terms of the merger.

Debt servicing charges at Italtel declined by 58 per cent last year, to L46bn, representing 3.5 per cent of turnover (against 8.5 per cent the previous year).

# Nordbanken profits hit by heavy loan losses

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

NORDBANKEN, the fifth largest of Sweden's publicly quoted commercial banks, was hit by heavy loan losses last year which depressed operating profits for the whole of 1986 to an increase of only 13.7 per cent compared with a rise of 61.5 per cent after the first eight months.

The Swedish banking sector reported record profits last year but Nordbanken, formed through the merger of Sundsvallsbanken and Uplandsbanken in 1985, was unable to keep pace and has been forced to seek new equity capital to support its increased business volume.

Nordbanken is raising SKr 241.5m ($37.7m) in new capital through a one-for-five rights issue. The new shares are to be issued at SKr 155 per share compared with a trading price this week of about SKr 245.

Loan losses jumped last year to SKr 183.8m from SKr 46.9m in 1985.

The bank said it had been hit by problems among a large number of small and medium-sized corporate customers, particularly in northern Sweden.

The bank has also been forced to make a provision against a SKr 200m loan made last year to Mr Refaat El-Sayed, the discredited former chief executive and majority shareholder of Fermenta, the troubled Swedish chemicals and antibiotics group.

Nordbanken's operating profits rose to SKr 414.9m from SKr 365m a year earlier. The bank's costs rose by 21.1 per cent of which some 4 percentage points was accounted for one-off costs arising out of the merger.

# INTERNATIONAL CAPITAL MARKETS

UK GILTS

## New tap confirms ease of funding

FRIDAY'S announcement of a new tap stock provided the UK government bond market with clear confirmation of the ease of the Government's funding position.

Despite the Bank of England's purchases of gilt-edged stocks over the past three weeks, the new issue did not come as a particular surprise. The market was looking buoyant and had been untapped for some weeks. Whatever the Bank's motivation for buying gilts—and there has been a myriad of theories—little doubt exists that this year's funding programme is all but sewn up. This, at least technically, gives the market room for advance on its gains since December.

The stock—£800m of 9 per cent Treasury due in 2008—is partly paid, with only 25 per cent payable at the Wednesday tender and the rest on April 6. Very little cash will therefore be received this financial year.

Last week, the market finally broke through the 10 per cent yield barrier at the long-dated end, amid persistent reports of West German buying and talk of a large US order. It remains unclear, however, whether much further progress can be made.

There is still a feeling of unease with yields below 10 per cent, and buying at this level still appears to be patchy. Sterling's steady performance, reaching a recent high on its effective index on Friday of 69.0, has contributed to a bit more confidence overseas in investing in British securities.

A shift in perspective to the nearer term may have also done something to bolster market sentiment. After a period when opinion polls seem to be the dominant factor in the market, the traders seem to have switched away from the surveys to some extent. That could be something to do with the bad press the polls and their erratic results have received. It may also be something to do with the increasing emphasis of market chat on the Budget, rather than the General Election.

There appears to be a growing consensus that the Budget on March 17 will produce three good things for the Chancellor of the Exchequer and for voters he is concerned to win. The arithmetic appears to suggest that Mr Nigel Lawson has scope for generous tax cuts, but he will be able to achieve this generosity within the bounds of credible and impressive public borrowing figures, and the confidence about these two aspects of budgetry will also pave the way for a cut in base lending rates.

Although the much-watched three-month interbank money market sterling rate did nothing terribly dramatic last week—ending at around 11-10⅞ per cent, which hardly signals a cut in base rate—there is beginning to be some confidence that the Government will give in to the temptation of delivering a rate cut around budget time.

Two factors are at present working in the Chancellor's favour, if not in terms of macroeconomics then at least as far as observers of monetary indicators are concerned. First, sterling appears to be behaving itself and second, it seems that the narrow money aggregate, MO, has dropped sharply in January. On the last, it would be surprising, given the political imperative, if Mr Lawson were not to point to the short-term behaviour of this particular indicator as the vindication for his decision to raise rates in October.

Nevertheless, one political, or rather tactical, argument against cutting rates would be that building societies would be unlikely to react swiftly to a change in base rates given their rather squeezed cash position, and thus the highly public positive effect on the retail prices index would not automatically feed through. The next set of RPI data is due to be released this week, and some forecasts are looking for an increase in the annual rate of inflation to around 4 per cent.

The Bank of England's money markets operations on Friday, in which it relieved a large shortage partly by way of bills to be resold to the market on March 12, appeared to signal the authorities' desire to dampen down any outbreak of enthusiasm now about rate cuts.

All this tends to suggest that the gilt-edged market will continue to flirt with yield levels around 10 per cent or a bit below. There seems little reason to do more than consolidate recent gains now that the Budget is within sight.

**Janet Bush**

US MONEY AND CREDIT

## Why Japanese keep coming back

WITH ANOTHER smooth and successful quarterly refunding operation under its belt, the US bond market has no particular reason to budge out of the uneventful rut in which it has been stuck since the great bull market in bonds ran out of steam last April.

The average yield in last week's auction—6.54 per cent on the three-year notes, 7.25 per cent on the 10-year securities and 7.49 per cent on the 30-year bonds—bore a marked resemblance to the results of the previous refunding in November, and, for all their vaunted anger about the collapsing dollar, the Japanese were out in force when the bids were finally counted.

Why do the Japanese keep coming back for more after the kind of drubbing they have recently suffered?

Much has been made of the way the boom in US bond prices has compensated the Japanese for their massive foreign exchanges losses: since the dollar peaked two years ago, the 66 per cent dollar return on a 30-year Treasury bond has almost exactly matched the fall in the US currency. But quite apart from the availability of better opportunities foregone—a Japanese bond investment over the same period would have produced a yen return of nearly 30 per cent—such rationalisations omit one very important detail.

All of the capital gains in the US bond market were concentrated in the first half of the 1985-86 period. Since April last year US bond purchases by the Japanese have been a clearly losing proposition. The spread between the running yields on Japanese and US government securities has not been anywhere near sufficient to compensate for the 13 per cent depreciation of the dollar against the yen since April.

Yet Japanese bond buying seems actually to have accelerated in the last year. Statistics just published in Tokyo show that net purchases of foreign securities in 1986 doubled to $100.1bn and, notwithstanding Wall Street's drooling over sporadic rumours about an equity buying spree from Tokyo, the statistics show that 93 per cent of the securities purchased were actually bonds.

The conclusion seems inescapable. If the Japanese bought most of their bonds in 1986 not in 1985, the average price of their bond portfolios cannot be far below the plateau on which the bond market has been stuck for the past 10 months. Since the dollar has been falling throughout this period, the Japanese portfolios must inevitably be worth less today than when they were acquired.

Why, then do the Japanese go on buying? Numerous reasons have been given—ranging from herd instinct and irrational respect for all things American to a Machiavellian effort to protect Japanese export markets in the US by trying to bolster the value of the dollar.

From a financial standpoint, there is only one plausible explanation. Paper losses, as long as they are not actually realised, do not seem to worry Japanese fund managers. Oriental investment philosophy, we are told, has "long time horizon."

By the time a 30-year dollar bond matures, its 200 basis point annual yield advantage over a yen security will have accumulated into something like 80 per cent. This would be easily sufficient to compensate for any further fall in the dollar. Accordingly, a dollar bond acquired at Y150 will remain a steal, whether the dollar falls to Y130 or even Y100.

Unfortunately this story begs a very important question. On a genuinely "long-term view," why should the dollar be worth Y120 or "even" Y100? Suppose the dollar depreciated at an average rate or 3 per cent a year from its present level. By 2017 a dollar would be worth just Y60—and the 30-year bonds the Japanese snapped up last Thursday might not, after all, look like such a great bargain.

The following are the economic indicators due for release this week, along with the market's median expectations, as surveyed on Friday by Money Market Services of Redwood City, California:

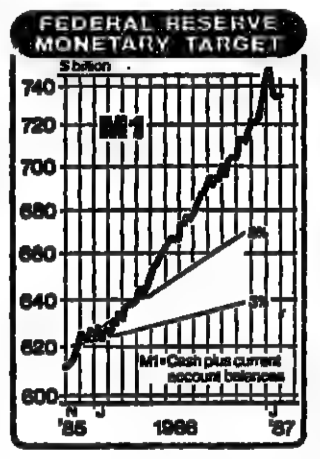
● Retail sales for January (8.30 am EST Thursday) should show a sharp drop of 4 per cent as a result of falling car sales. The range of estimates is from minus 6.5 per cent to plus 0.5 per cent. Very strong car sales in December, motivated by end of year tax reform, were largely responsible for the 4.4 per cent gain in total retail sales that month and this effect is expected to be reversed in January. In November and October retail sales declined by 0.6 per cent and 5.2 per cent respectively.

● For money supply figures (4.30 pm Thursday), the median expectation is an increase of $200m in M1, but estimates range from minus $2.5bn to plus $2.5bn. The monthly figures for the broader aggregates are also due out of Thursday. The median M2 forecast is a rise of $20bn, with a range of $15bn to $30bn. For M3, an increase of $26bn is expected with a range of $20bn to $39bn.

● Producer prices for January (8.30 am Friday) should rise by 0.4 per cent, according to the consensus, with a range of 0.1 to 0.8 per cent. This compares with zero in December and 0.2 per cent in November. The main upward pressure comes from rising energy prices.

● Industrial production in January (9.15 am Friday) is expected to have risen by 0.3 per cent, with estimates ranging from zero to 0.8 per cent, after the gains of 0.5 per cent and 0.6 per cent respectively in December and November

**Anatole Kaletsky**




### US MONEY MARKET RATES (%)

| | Last Friday | 1 week ago | 4 wks ago | 12-month High | 12-month Low |
|---|---|---|---|---|---|
| Fed Funds (weekly average) | 6.10 | 6.25 | 6.30 | 11.34 | 5.71 |
| Three-month Treasury bills | 5.66 | 5.60 | 5.37 | 7.19 | 5.01 |
| Six-month Treasury bills | 5.68 | 5.60 | 5.44 | 7.24 | 5.06 |
| Three-month prime CDs | 6.03 | 6.00 | 5.87 | 7.85 | 5.46 |
| 30-day Commercial Paper | 5.98 | 6.00 | 5.80 | 7.75 | 5.55 |
| 90-day Commercial Paper | 5.95 | 5.88 | 5.70 | 7.70 | 5.45 |

### US BOND PRICES AND YIELDS (%)

| | Last Friday | Change on week | Yield | 1 week ago | 4 wks ago |
|---|---|---|---|---|---|
| Seven-year Treasury | 100⅛ | + ⅛ | 6.92 | 6.99 | 6.86 |
| 20-year Treasury | 117 | + ⅛ | 7.66 | 7.70 | 7.49 |
| 30-year Treasury | 100½ | + ⅛ | 7.48 | 7.46 | 7.28 |
| New 10-year "A" Financial | N/A | N/A | 8.00 | 8.00 | 7.88 |
| New "AA" Long utility | N/A | N/A | 8.63 | 8.63 | 8.63 |
| New "AA" Long Industrial | N/A | N/A | 8.50 | 8.50 | 8.40 |

Money Supply: In the week ended January 26 M1 rose by $500m to $732.4bn.
Source: Salomon Bros (estimates).

### NRI TOKYO BOND INDEX

| December 1983 = 100 | 5/2/87 | Average yield (%) | Last week | 12 wks ago | 26 wks ago |
|---|---|---|---|---|---|
| Overall | 134.73 | 4.52 | 134.42 | 130.07 | 127.56 |
| Government Bonds | 135.48 | 4.20 | 135.19 | 130.89 | 128.59 |
| Municipal Bonds | 135.10 | 5.01 | 134.93 | 130.24 | 127.23 |
| Government-guaranteed Bonds | 136.04 | 5.07 | 135.86 | 130.83 | 127.89 |
| Bank Debentures | 130.90 | 4.13 | 130.78 | 126.73 | 124.40 |
| Corporate Bonds | 133.95 | 5.36 | 132.55 | 129.01 | 125.86 |
| Yen-denominated Foreign Bonds | 135.11 | 6.31 | 134.87 | 130.89 | 128.33 |
| Government 10-year† | — | 5.16 | 5.14 | 5.80 | 5.44 |

† Estimated par yield.
Source: Nomura Research Institute.

## FT/AIBD INTERNATIONAL BOND SERVICE

| US DOLLAR STRAIGHTS | Issued | Bid Price | Chg. on week | Yield |
|---|---|---|---|---|
| ABN Bank 8½ 91 | 150 | 103½ | 0 | 7.47 |
| AHFC O/S Fin 11⅛ 94 | 100 | 103½ | 0 | 11.01 |
| AIDC 11 89 | 75 | 108⅛ | −0⅛ | 7.37 |
| Alcan Australia 8⅞ 89 | 25 | 100 | 0 | 8.47 |
| Alcoa Australia 11 92 | 80 | 106⅝ | 0 | 9.33 |
| American Expa 12⅞ 88 | 150 | 108 | 0 | 6.78 |
| Asian Dev Bk 11⅝ 93 | 100 | 116⅛ | +0⅛ | 8.52 |
| Australia 11¼ 90 | 100 | 111⅛ | −0⅛ | 7.58 |
| Australia 11⅝ 98 | 100 | 0 | | |
| Austria Zero 95 | 100 | 51⅛ | +0⅛ | 8.17 |
| Bk Nova Scotia 13⅞ 87 | 100 | 102⅛ | 0 | 6.83 |
| Bank of Mntreal 14½ 87 | 100 | 102 | −0⅛ | 7.33 |
| Bank of Tokyo 11⅞ 90 | 100 | 114⅞ | −0⅛ | 7.30 |
| Bank of Tokyo 8⅝ 96 | 100 | 102⅞ | −0⅛ | 7.92 |
| Bank of Tokyo 11 90 | 125 | 110⅞ | −0⅛ | 7.13 |
| Bank of Tokyo 13⅞ 89 | 100 | 116 | 0 | 6.98 |
| Barclays Jersey 10⅞ 90 | 250 | 108⅞ | 0 | 7.29 |
| Barclays Jersey 10⅞ 95 | 250 | 114⅛ | −0⅛ | 8.21 |
| Belgium 7½ 91 | 250 | 100⅛ | +0⅛ | 7.42 |
| Belgium 7⅝ 91 | 300 | 101⅛ | 0 | 7.38 |
| Betawest Prop 7⅝ 93 | 150 | 99⅞ | 0 | 7.76 |
| BFCE 7⅛ 93 | 100 | 98 | +0⅛ | 7.65 |
| BNP 8⅞ 93 | 125 | 103⅞ | +0⅛ | 8.04 |
| BNP 13½ 89 | 150 | 115⅛ | −0⅛ | 6.99 |
| BP Capital 11¼ 92 | 150 | 111⅛ | 0 | 8.31 |
| BP Capital 9⅝ 93 | 150 | 108 | +0⅛ | 7.88 |
| Br Col Hydro 10⅛ 88 | 200 | 103⅞ | 0 | 6.51 |
| Br Col Hydro 11⅜ 93 | 200 | 120⅛ | +0⅛ | 7.74 |
| Br Col Hydro 13⅛ 88 | 150 | 108⅛ | −0⅛ | 6.59 |
| Canada 10 88 | 500 | 113⅛ | +0⅛ | 7.93 |
| Canada 14⅛ 87 | 750 | 102⅛ | +0⅛ | 6.16 |
| Canadn Imp Bk 16⅛ 91 | 100 | 116⅛ | +0⅛ | 12.00 |
| Can Natnl Rail 14⅛ 91 | 100 | 114 | −0⅛ | 10.72 |
| Canadian Pacific 7½ 96 | 100 | 95⅛ | −0⅛ | 8.15 |
| Canadian Pacific 10⅛ 93 | 100 | 109⅛ | −0⅛ | 8.77 |
| Canadian Pacific 14⅛ 92 | 75 | 110⅛ | −0⅛ | 11.64 |
| Caterpillar Fin 0 92 | 300 | 65⅛ | 0 | 7.98 |
| CCCE 7⅛ 91 | 113 | 99⅛ | −0⅛ | 7.22 |
| Centrust S&L 0 10 | 1.2bn | 12⅛ | +0⅛ | 9.55 |
| Chevron Corp 8⅝ 96 | 300 | 100⅛ | 0 | 8.16 |
| Citicorp 11⅛ 92 | 100 | 108⅛ | −0⅛ | 9.59 |
| Coca-Cola 11⅛ 98 | 100 | 0 | | |
| Com Bk Austria 10 93 | 100 | 111⅛ | +0⅛ | 7.80 |
| Com Bk Austria 12⅝ 89 | 100 | 112⅞ | −0⅛ | 7.10 |
| Continental Grp 11⅛ 93 | 75 | 103⅛ | −0⅛ | 10.75 |
| Credit Foncier 12⅝ 92 | 192 | 121⅛ | −0⅛ | 7.49 |
| Denmark 10⅞ 90 | 100 | 106 | +0⅛ | 8.29 |
| Denmark 0 98 | 250 | 38⅛ | +0⅛ | 8.72 |
| Denmark 7 88 | 1.0bn | 100⅛ | 0 | 6.74 |
| Denmark 11½ 92 | 100 | 116⅛ | +0⅛ | 7.48 |
| Denmark 13 91 | 100 | 120⅛ | 0 | 7.28 |
| Denmark 13 92 | 100 | 101⅛ | 0 | 12.63 |
| Denmark 13⅝ 91 | 100 | 122⅛ | +0⅛ | 7.38 |
| Deutsche Bk Fin 13⅛ 89 | 200 | 114⅛ | −0⅛ | 6.89 |
| DKB Asia 8⅝ 91 | 100 | 102⅛ | 0 | 7.46 |
| Dutch St Mines 11⅛ 91 | 150 | 106⅛ | 0 | 9.45 |
| ECSC 8 93 | 25 | 101 | 0 | 8.77 |
| ECSC 7 89 | 75 | 100⅛ | +0⅛ | 6.70 |
| EDF 10⅛ 95 A | 100 | 109⅛ | 0 | 8.82 |
| EEC 9⅛ 90 | 300 | 105⅛ | 0 | 7.65 |
| EIB 11½ 90 | 200 | 114⅛ | 0 | 6.99 |
| EIB 12 95 | 100 | 124⅛ | +0⅛ | 7.83 |
| EIB 9⅝ 91 | | 0 | | |
| EIB 10⅛ 92 | 150 | 108⅛ | 0 | 8.03 |
| EIB 10⅛ 94 | 200 | 112⅛ | 0 | 8.08 |
| EIB 10⅛ 93 | 200 | 110⅛ | +0⅛ | 8.49 |
| EIB 11 91 | 125 | 113⅛ | 0 | 7.01 |
| EIB 11⅛ 91 | 73 | 111⅞ | +0⅛ | 8.03 |
| Eksportfinans Zero 94 | 360 | 56⅛ | +0⅛ | 7.99 |
| Elec de France 11⅛ 93 | 100 | 117 | −0⅛ | 7.59 |
| Emerson Elec 9⅝ 95 SW | 100 | 108 | 0 | 8.31 |
| ENEL 10 95 | 400 | 105⅛ | +1 | 9.28 |
| Equitable Life 10⅝ 92 | 100 | 108⅞ | +0⅛ | 8.02 |
| Eurofima 9⅝ 96 | 100 | 109⅛ | +0⅛ | 7.92 |
| Eurofima 12⅝ 91 | 100 | 118⅛ | −0⅛ | 7.19 |
| Export Devel 9½ 88 | 200 | 103⅛ | 0 | 7.06 |
| Export Devel 10 88 | 125 | 103⅞ | −0⅛ | 6.53 |
| Export Devel 10⅛ 88 | 100 | 103⅞ | −0⅛ | 6.36 |
| Export Devel 11⅛ 89 | 150 | 107⅛ | −0⅛ | 6.83 |
| Export Devel 12 89 | 100 | 112⅛ | 0 | 6.88 |
| Farm Credit Corp 7⅛ 93 | 100 | 98⅛ | +0⅛ | 7.57 |
| Finland 12⅛ 94 | 75 | 110⅛ | −0⅛ | 8.34 |
| Ford Motor 10⅛ 93 | 150 | 125⅛ | +0⅛ | 7.69 |
| Foremarks 8⅝ 91 | 100 | 104⅛ | 0 | 7.38 |
| Fuji Bk and Tst 7⅝ 91 | 100 | 100⅛ | +0⅛ | 7.44 |
| Fuji Intl 10⅞ 90 | 100 | 110⅛ | −0⅛ | 7.26 |
| Gaz de France 12⅛ 93 | 175 | 118⅛ | +0⅛ | 8.29 |
| Gen Elec Cred 0 98 | 600 | 48⅛ | 0 | 8.07 |
| Gen Elec Cred 8⅝ 91 | 100 | 104⅞ | +0⅛ | 8.37 |
| Gen Elec Cred 10⅛ 90 | 200 | 106⅛ | 0 | 9.62 |
| Gen Elec Cred 12 94 | 200 | 118 | +0⅛ | 9.03 |
| Getty Oil 14 89 | 125 | 101⅛ | 0 | 13.10 |
| GMAC 10 92 | 250 | 108 | +0⅛ | 8.16 |
| GMAC 10 88 | 200 | 103⅛ | −0⅛ | 6.88 |
| GMAC O/S Fin 15⅞ 87 | 100 | 105⅞ | 0 | 10.76 |
| Gram Finance 13⅞ 89 | 100 | 108½ | 0 | 9.40 |
| GTE Finance 12 96 | 75 | 100⅞ | +0⅛ | 11.62 |
| GZB 14 91 | 100 | 120⅞ | +0⅛ | 8.14 |
| Holf Air Fin 12⅛ 91 | 100 | 105⅛ | +0⅛ | 10.38 |
| IBM 9⅞ 88 | 200 | 102⅛ | −0⅛ | 9.25 |
| IBM (WTC) 10⅛ 89 | 300 | 104⅛ | −0⅛ | 8.80 |
| IC Industries 8⅝ 87 | 38 | 0 | | |
| IC Industries 12 90 | 75 | 108⅛ | +0⅛ | 8.75 |
| Inco 9 92 | 100 | 99 | 0 | 9.22 |
| Ind Bk Japan 10⅛ 92 | 100 | 110⅛ | 0 | 8.10 |
| Ind Bk Japan Fin 8 93 | 150 | 101⅛ | 0 | 7.67 |
| Int-Amer Dev 12⅛ 91 | 150 | 121 | +0⅛ | 7.34 |
| Int Paper 12 91 | 75 | 105⅛ | 0 | 10.28 |
| Italy 7 91 | 100 | 98⅞ | +0⅛ | 7.28 |
| Italy 8⅝ 91 | 200 | 104⅛ | +0⅛ | 7.35 |
| Italy 9⅛ 96 | 150 | 107⅛ | 0 | 7.95 |
| ITT Credit Corp 10½ 90 | 75 | 107 | 0 | 8.02 |
| Kellogg Co 10⅞ 90 | 100 | 107 | 0 | 8.10 |
| Kellogg Co 11⅛ 92 | 100 | 109⅛ | 0 | 8.88 |
| Kimberly-Clark 12 94 | 100 | 124½ | +0⅛ | 7.76 |
| Liberty Mutual 8½ 96 | 150 | 103½ | 0 | 7.95 |
| Lockheed Corpn 7⅛ 89 | 150 | 100⅛ | 0 | 6.96 |
| Long Term Cred 10⅛ 90 | 100 | 110 | −0⅛ | 7.23 |
| Long Term Cred 11 90 | 100 | 110⅛ | −0⅛ | 7.19 |
| Long Term Cred 11⅞ 88 | 100 | 109⅛ | −0⅛ | 6.84 |
| Manitoba 7½ 96 | 150 | 96⅛ | +0⅛ | 8.06 |
| Manitoba 8⅝ 91 | 125 | 105⅛ | +0⅛ | 7.23 |
| Marks & Spencer 8⅝ 96 | 150 | 102⅛ | +0⅛ | 7.87 |
| Marubeni 11⅛ 91 | 100 | 113 | 0 | 8.05 |
| Mercedes Credit 7⅛ 93 | 100 | 98⅛ | 0 | 7.56 |
| Mercedes Credit 7½ 93 | 100 | 101⅛ | 0 | 7.22 |
| Merrill Lynch 8 93 | 200 | 100⅞ | +0⅛ | 7.81 |
| Merrill Lynch 9 89 | 200 | 104 | +0¼ | 6.79 |
| Mrril Lynch O/S 10⅛ 90 | 200 | 109⅛ | +0⅛ | 7.24 |
| Mitsubishi Cp 10½ 92 | 100 | 109½ | +0⅛ | 8.12 |
| Mitsubishi Est 10⅞ 92 | 50 | 109½ | +1 | 8.19 |
| Mitsbshi Fin HK 11⅛ 90 | 100 | 112⅛ | +0⅛ | 7.15 |
| Mitsbshi Fin HK 12⅞ 89 | 100 | 113⅛ | −0⅛ | 6.94 |
| Mitsui Tst Fin 12 91 | 100 | 113½ | +1 | 7.95 |
| Morgan Gty Tst 7⅛ 91 | 100 | 100 | 0 | 7.24 |
| Morgan Gty Tst 12⅞ 89 | 150 | 112½ | 0 | 7.05 |
| Morgan J P 11⅛ 92 | 100 | 109⅛ | 0 | 8.91 |
| Morgan J P 10⅛ 92 | 100 | 113⅛ | 0 | 7.46 |
| Mount Isa Fin 13⅛ 87 | 100 | 102⅞ | +1 | 7.49 |
| Nat West Fin 11⅛ 92 | 150 | 117⅞ | 0 | 7.78 |
| Ned Gasunie 11⅛ 90 | 75 | 111⅛ | −0⅛ | 7.67 |
| New Brunswick 10⅛ 95 | 75 | 0 | | |
| New Zealand 7⅛ 89 | 300 | 100½ | +0¼ | 7.01 |
| New Zealand 7½ 91 | 200 | 100⅛ | +0⅛ | 7.42 |
| New Zealand 7⅝ 91 | 250 | 100⅛ | +0⅛ | 7.52 |
| New Zealand 8 93 | 100 | 100⅛ | +0⅛ | 7.88 |
| New Zealand 8⅝ 93 | 150 | 102 | +0⅛ | 7.82 |
| New Zealand 10⅛ 95 | 200 | 111⅛ | 0 | 8.31 |
| Nippon Cred Bk 8⅝ 93 | 50 | 94⅛ | +1⅛ | 10.42 |
| Nissho Iwai 10⅞ 92 | 100 | 110⅛ | +0⅛ | 8.10 |
| Nova Scotia 11⅛ 91 | 100 | 105⅛ | 0 | 10.06 |
| Nova Scotia 11⅛ 98 | 100 | 0 | | |
| NSW Treasury 11⅛ 90 | 150 | 112½ | +0⅛ | 7.25 |
| Olympia & York 8⅛ 96 | 435 | 98⅞ | +0⅛ | 8.42 |
| Ontario Hydro 11⅛ 89 | 200 | 111¼ | −0⅛ | 6.88 |
| Ontario Hydro 13½ 91 | 100 | 121⅛ | −0⅛ | 7.29 |
| Ontario Hydro 14⅛ 89 | 150 | 115⅛ | 0 | 6.91 |
| Ontario Hydro 15 92 | 150 | 132⅛ | +0½ | 7.60 |
| Ontario Hydro 11⅛ 94 | 200 | 120½ | −0⅛ | 7.73 |
| Ontario Hydro 11⅞ 90 | 200 | 114⅛ | −0⅛ | 7.11 |
| Pacific Gas & El 15⅞ 89 | 45 | 101⅛ | −0⅛ | 14.42 |
| Pacific Gas & El 12 00 | 75 | 118 | 0 | 9.52 |
| Penney J C 11⅞ 90 | 100 | 104⅛ | 0 | 10.39 |
| Penney J C 12⅝ 91 | 100 | 112 | 0 | 9.41 |
| Pepsico Capital 8⅝ 91 | 100 | 103⅛ | 0 | 7.27 |
| Petro-Canada 7⅛ 96 | 200 | 95⅛ | 0 | 7.91 |
| Philip Morris 9½ 99 | 300 | 0 | | |
| Postipankki 11½ 90 | 75 | 102⅞ | −0⅛ | 7.21 |
| Post Och Kred. 13½ 87 | 50 | 109⅛ | +0⅛ | 7.61 |
| Proctor & Gam 10 95 | 150 | 111⅛ | −0⅛ | 8.11 |
| Pru Rlty Secs 0 99 | 385 | 37⅛ | +0¼ | 8.59 |
| Pru Rlty Secs 12⅛ 95 | 545 | 119⅛ | +0⅛ | 8.61 |
| Qantas Airways 8⅞ 96 | 97 | 103½ | −0⅛ | 8.06 |
| Qantas Airways 10⅛ 95 | 140 | 113½ | 0 | 8.09 |
| Quebec Hydro 10 99 | 75 | 102⅞ | 0 | 9.60 |
| Queensld Gvt 11⅛ 89 | 100 | 110⅛ | −0⅛ | 7.14 |
| Reynolds R. J. 10⅛ 93 | 100 | 112⅛ | +0⅛ | 7.78 |
| Rockwell Int 9⅞ 90 | 200 | 107⅞ | +0⅛ | 7.21 |
| Saab-Scania 9⅝ 91 | 125 | 106⅛ | 0 | 7.50 |
| Saskatchewan 10⅛ 90 | 100 | 113 | −0¼ | 7.56 |
| Saskatchewan 7 91 | 125 | 100⅛ | +0⅛ | 7.23 |
| Saskatchewan 10⅛ 90 | 125 | 109⅞ | 0 | 7.09 |
| Saskatchewan 11⅞ 88 | 100 | 111⅛ | 0 | 7.04 |
| Saskatchewan 16 89 | 125 | 117⅛ | −0⅛ | 6.84 |
| S.A.S. 10½ 95 | 150 | 110⅛ | −0⅛ | 8.34 |
| Scot Intl Fin 10⅛ 90 | 80 | 108 | 0 | 7.83 |
| Sears O/S Fin 0 98 | 500 | 38⅛ | +0⅛ | 8.74 |
| Sears O/S Fin 11⅛ 93 | 150 | 120½ | +0⅛ | 7.59 |
| Sears Roebuck 10½ 91 | 150 | 105⅛ | −0⅛ | 8.93 |
| Sears Roebuck 11⅛ 91 | 150 | 114⅛ | −0⅛ | 7.27 |
| Shell Oil 9½ 90 | 250 | 106⅛ | −0⅛ | 7.50 |
| Standard Oil 10½ 89 | 150 | 102⅛ | 0 | 8.87 |
| St Bk Sth Aust 9⅝ 93 | 100 | 106⅛ | +0⅛ | 7.83 |
| State Elec Vict 10 92 | 100 | 110⅛ | +0⅛ | 7.73 |
| Sth Aus Gov Fin 8⅝ 93 | 100 | 104⅛ | +0⅛ | 7.84 |
| Sumitomo Fin 11⅛ 92 | 150 | 117 | −0⅛ | 7.90 |
| Sweden 8⅞ 94 | 150 | 103⅛ | −0¼ | 7.52 |
| Sweden 10⅞ 92 | 250 | 112⅛ | −0⅛ | 7.46 |
| Sweden 12⅞ 89 | 200 | 111⅛ | −0⅛ | 6.78 |
| Swedish Export 11⅛ 89 | 100 | 108⅛ | +0⅛ | 6.67 |
| Taiyo Kobe 11⅞ 90 | 100 | 112⅛ | −0⅛ | 7.46 |
| Taiyo Kobe 12 90 | 100 | 115⅛ | −0⅛ | 7.27 |
| Tenneco Corp 11½ 89 | 150 | 105⅞ | +0⅛ | 9.30 |
| Texaco Capital 13½ 88 | 200 | 107 | +0½ | 10.10 |
| Texas Inst 11⅛ 91 | 150 | 107⅛ | 0 | 9.60 |
| Tokai Asia 11⅛ 95 | 100 | 120⅛ | 0 | 8.05 |
| Tokyo Metro 8⅛ 96 | 200 | 102⅞ | −0¼ | 7.85 |
| U.B.S. 12⅛ 91 | 100 | 107⅛ | −0⅛ | 9.82 |
| Unilever Cap Cp 9⅞ 92 | 150 | 111⅛ | 0 | 7.36 |
| Vict PBC Auth 8⅝ 95 | 100 | 101⅛ | 0 | 8.11 |
| Warner-Lambert 8⅝ 95 | 100 | 101⅛ | −0½ | 7.92 |
| Wells Fargo 13⅛ 91 | 100 | 118 | +0½ | 8.25 |
| Weyerhaeuser 11½ 90 | 80 | 104⅛ | −0⅛ | 10.06 |
| World Bank 11⅛ 90 | 200 | 113⅛ | 0 | 6.89 |
| World Bank 10⅛ 95 | 300 | 114⅛ | 0 | 7.66 |
| World Bank 10⅞ 93 | 100 | 117 | −0⅛ | 7.34 |
| World Bank 11⅛ 88 | 200 | 108⅛ | 0 | 6.80 |

| FLOATING RATE NOTES | Issued | Bid Price | Chg. on week | C.cpn |
|---|---|---|---|---|
| Alaska Housing 1/10 01 | 185 | 99⅞ | 0 | 6⅛ |
| Alberta Province ⅛ 93 | 500 | 99⅞ | 0 | 3 |
| Allied Irish ⅛ 95 | 100 | 100 | +0⅛ | 6⅛ |
| American S & L 0.15 96 | 200 | 100 | +0⅛ | 6⅞ |
| Banco Di Sicilia ⅛ 92 | 100 | 99⅛ | 0 | 6⅞ |
| Banco Roma 1/10 92 | 150 | 99⅛ | 0 | 6⅞ |
| Banco Roma ⅛ 92 CU | 75 | | 0 | 7½ |
| Bank of Boston ⅛ 2000 | 200 | 99⅞ | +0⅛ | 6 |
| Bank of Montreal ⅛ 95 | 250 | 100⅛ | 0 | 6⅞ |
| Bankers Tst NY ⅛ 94 | 200 | 100⅛ | 0 | 6 11/16 |
| Barclays O/S Inv ⅛ 04 | 350 | 100 | 0 | 5 11/16 |
| BBL Intl 93 | 100 | 99 | +0⅛ | 6⅞ |
| BBL Internatnl 0.05 01 | 200 | 100⅛ | +0⅛ | 6⅛ |
| Belgium ⅛ 04 | 400 | 99⅞ | 0 | 6⅛ |
| Belgium 00 | 400 | 99⅛ | 0 | 6⅛ |
| Belgium 06 | 400 | 99⅛ | +0⅛ | 6⅛ |
| BNP ⅛ 96 | 225 | 100⅛ | +0⅛ | 6⅛ |
| BNP 05 | 300 | 99 | 0 | 6 9/16 |
| Carteret ⅛ 96 | 125 | | 0 | 6⅛ |
| CCF 97 | 250 | 99 | +0⅛ | 6⅛ |
| Central Intl 1/10 00 | 150 | 99⅛ | 0 | 6⅛ |
| Centrust 0.15 96 | 100 | 99⅞ | 0 | 6⅛ |
| CEPME ⅛ 98 £ | 100 | 100⅛ | 0 | 11 7/16 |
| Chase Manhattan ⅛ 93 | 150 | 99⅛ | 0 | 6⅛ |
| Chase Manhattan ⅛ 09 | 400 | 99⅞ | 0 | 6⅛ |
| Chemical NY ⅛ 99 | 300 | | 0 | 6 5/16 |
| Citicorp O/S ⅛ 94 | 100 | 100 | 0 | 6⅞ |
| Citicorp 1/8 98 | 500 | | 0 | 6 5/16 |
| CNT ⅛ 00 | 300 | | 0 | 6 11/16 |
| Comalco Fin 93 | 150 | 99⅛ | +0⅛ | 6⅛ |
| Council of Europe 93 | 50 | 99⅛ | 0 | 6 |
| Cred for Exports ⅛ 92 | 155 | 100 | 0 | 6⅛ |
| Credit Foncier ⅛ 00 £ | 100 | 100⅛ | 0 | 11⅛ |
| Credit Foncier ⅛ 94 | 70 | 100 | 0 | 7 11/16 |
| Credit Foncier 97 | 350 | 99⅛ | +0⅛ | 6⅛ |
| Credit Lyonnais 93 | 150 | 100⅛ | +0⅛ | 6⅛ |
| Credit National ⅛ 95 | 175 | 99⅛ | −0⅛ | 7 5/16 |
| Credit National 1/20 00 | 500 | 100⅛ | +0⅛ | 6 5/16 |
| Eldorado Nuke 88 | 100 | 99⅞ | 0 | 6⅛ |
| ENEL ⅛ 93 £ | 100 | 100⅛ | 0 | 11 9/16 |
| ENEL ⅛ 00 | 300 | 100 | 0 | 6 11/16 |
| Ferro Del Stat 1/10 95 | 100 | 100 | 0 | 6⅛ |
| Ferro Del Stat 97 | 420 | 100 | 0 | 6⅛ |
| Finnpap ⅛ 95 | 100 | 100 | +0⅛ | 6⅛ |
| First Bk System ⅛ 97 | 100 | 97⅛ | 0 | 6⅛ |
| First Chicago ⅛ 96 | 125 | 99⅛ | 0 | 6⅞ |
| Ford Motor Cr ⅛ 91 | 200 | 99⅛ | +0⅛ | 6 5/16 |
| Genfinance ⅛ 94 | 100 | 100 | 0 | 6⅛ |
| Grindlays ⅛ 94 | 100 | 100 | 0 | 6 9/16 |
| Gt Amercn Fst Sv ⅛ 92 | 100 | 100 | +0⅛ | 6⅛ |
| GW O/S Fin ⅛ 94 | 100 | 99⅛ | −0⅛ | 6⅛ |
| Halifax BS 2/25 96 (A) | 150 | 99⅛ | 0 | 11⅛ |
| Halifax BS 2/25 96 (B) | 150 | 99 | +0⅛ | 8 11/16 |
| Iceland ⅛ 00 | 125 | 98 | 0 | 6⅛ |
| Ireland ⅛ 96 £ | 100 | 99⅞ | 0 | 11⅛ |
| Ireland ⅛ 97 | 300 | 100 | 0 | 5⅞ |
| Isveimer ⅛ 90 | 175 | 100 | 0 | 6 5/16 |
| KB Ifima 0.15 11 | 150 | 99⅛ | 0 | 6 5/16 |
| Korea Exchng Bk ⅛ 00 | 100 | 100⅛ | 0 | 6½ |
| Korea Exchng Bk ⅛ 94 | 100 | 99⅛ | 0 | 11 5/16 |
| Lincoln S and L ⅛ 99 | 100 | 100 | +0⅛ | 6⅛ |
| Lloyds Bank ⅛ | 500 | 95⅛ | | 6 5/16 |
| Malaysia ⅛ 92 | 250 | 99⅛ | 0 | 6⅛ |
| Malaysia ⅛ 05 | 650 | 93 | +1⅛ | 6 9/16 |
| Marine Midland ⅛ 09 | 150 | 100 | 0 | 6 5/16 |
| Midland Intl ⅛ 92 | 150 | 100⅛ | +0⅛ | 6 9/16 |
| Midland Intl ⅛ 99 | 200 | | | 5⅞ |
| Milk Marketing ⅛ 93 | 75 | 99⅛ | 0 | 11 7/16 |
| Mtg Intermed ⅛ 10 £ | 50 | 99⅛ | 0 | 11½ |
| Nat Aust Bank ⅛ 97 | 100 | 98⅛ | 0 | 6½ |
| Nat Bank Canada ⅛ 98 | 150 | 99⅛ | 0 | 6⅛ |
| Nat Bank Canada ⅛ 91 | 50 | 100 | +0⅛ | 7 |
| Nat Bank Canada 98 | 200 | 99⅛ | 0 | 6 11/16 |
| Nat Bk Detroit ⅛ 96 | 100 | 99⅛ | +0⅛ | 6 13/16 |
| Nat West Fin ⅛ 92 | 100 | 100⅛ | +0⅛ | 6⅛ |
| Nat West Fin ⅛ perp | 500 | 100 | 0 | 6⅛ |
| Nationwide 1/10 96 | 250 | 99⅛ | 0 | 11 7/16 |
| Natl Com ⅛ 94 | 200 | 99⅛ | +0⅛ | 6⅛ |
| NBD Bancorp ⅛ 2005 | 100 | 99⅛ | +0⅛ | 6⅛ |
| Northeast Sav 1/10 98 | 150 | | | 6 7/16 |
| O.N.G.C. ⅛ 98 | 125 | 99⅞ | 0 | 6 9/16 |
| Oster. Landbk ⅛ 99 | 100 | 99⅞ | −0⅛ | 5 11/16 |
| PNC Fin ⅛ 97 | 100 | 99⅛ | 0 | 6⅛ |
| Quebec Hydro 2002 | 200 | 98 | +0⅛ | 6⅛ |
| Queensld Coal 1/20 96 | 305 | 100 | 0 | 6⅛ |
| Renfe ⅛ 91 | 100 | 100 | 0 | 6⅞ |
| Renfe 98 | 500 | 105 | 0 | 5 13/16 |
| Scandinav Fin ⅛ 90 | 20 | 100 | 0 | 11⅛ |
| Scot Intl Fin ⅛ 92 | 100 | 100 | +0⅛ | 6⅛ |
| Sec Pacific ⅛ 92 | 100 | 99⅛ | 0 | 6 9/16 |
| SNCB ⅛ 91 | 75 | 100 | 0 | 6⅛ |
| Sweden ⅛ 2005 | 500 | 99⅛ | +0⅛ | 6⅛ |
| Toiyo ⅛ 04 | 100 | 100 | 0 | 6 9/16 |
| Takugin ⅛ 97 | 100 | 99½ | 0 | 6⅛ |
| Thailand ⅛ 05 | 60 | 98⅛ | 0 | 6⅛ |
| Vereinwest O/S Fin 91 | 100 | 100 | +0⅛ | 6 7/16 |
| Wells Fargo ⅛ 98 | 200 | 99⅛ | +0⅛ | 6 5/16 |
| Wells Fargo ⅛ 97 | 250 | 99⅛ | 0 | 6⅛ |
| Wells Fargo ⅛ 00 | 200 | 99⅛ | 0 | 6⅛ |
| Wells Fargo ⅛ 96 | 50 | 99 | 0 | 6⅛ |
| Wells Fargo 0.225 92 | 150 | 99⅛ | +0⅛ | 6 5/16 |
| Westpac Banking ⅛ 97 | 150 | 98⅛ | 0 | 6 7/16 |
| Woodside Fin (Feb) 97 | 300 | 99⅞ | | 6½ |
| Woolwich Equit ⅛ 95 | 200 | 99⅛ | 0 | 11 7/16 |
| World Bank 0.35 94 | 250 | 98⅞ | 0 | 5⅛ |
| Zentral Und Kom ⅛ 91 | 30 | 99⅛ | 0 | 6 11/16 |

| CONVERTIBLE BONDS | Issued | Bid Price | Chg. on week | Prem. |
|---|---|---|---|---|
| American Bnkrs 5⅛ 01 | 70 | 103⅛ | 0 | 35.05 |
| Canon 3 00 | 100 | 119 | +0½ | 2.33 |
| Casio Computer 3 00 | 100 | 0 | | |
| Citizen Watch 3 00 | 50 | 132 | +0½ | 4.75 |
| Eastman Kodak 6⅜ 01 | 300 | 118 | +0⅛ | 14.61 |
| Elektrowatt 5 98 | 51 | 178 | −5 | −8.53 |
| Gibraltar Savings 7½ 06 | 100 | 103⅛ | +0⅛ | 25.91 |
| IBM 6⅜ 96 | 300 | 0 | | |
| ITT 4⅛ 87 | 50 | 109 | −0⅛ | 1.54 |
| Kaiser Aluminum 5 88 | 30 | 86 | 0 | 40.29 |
| LASMO 9⅝ 99 | 44 | 0 | | |
| Lorimar-Telepics 6 01 | 100 | 94⅛ | +0⅛ | 97.89 |
| Newmont Mining 7 01 | 100 | 123 | +2⅛ | 11.55 |
| Nippon Seiko 3⅛ 99 | 70 | 124 | +0⅛ | 0.58 |
| Penney J C Int 4½ 87 | 35 | 106⅛ | 0 | 6.94 |
| Rockefeller Centre 0 00 | 952 | 26 | +0⅛ | −71.05 |
| Southwest Air 8⅝ 98 | 35 | 81⅛ | +0⅛ | 46.02 |
| Swiss Bank Corp 6⅛ 90 | 120 | 145½ | −10½ | −11.18 |
| Texaco Capital 11⅛ 94 | 500 | 108⅛ | +0⅛ | 39.84 |
| Transco Int 8⅝ 95 | 50 | 108⅛ | +1⅛ | 33.98 |
| Yasuda Tst Bk 2⅛ 01 | 100 | 0 | | |

| YEN STRAIGHTS | Issued | Bid Price | Chg. on week | Yield |
|---|---|---|---|---|
| Asian Dev Bk 7⅛ 94 | 15 | 0 | | |
| Avon Products 6⅝ 91 | 25 | 106 | +0⅛ | 5.31 |
| Barclays O/S 6 96 | 40 | 103⅛ | +1⅛ | 5.56 |
| BFCE 6⅝ 95 | 20 | 102 | +0⅛ | 5.47 |
| Canadian Pacific 6⅛ 96 | 10 | 107⅛ | +1⅛ | 5.64 |
| Denmark 6⅝ 92 | 20 | 106⅛ | +0⅛ | 4.74 |
| Dow Chemical 7 94 | 50 | 104⅛ | +0⅛ | 6.31 |
| Eurofima 7⅛ 94 | 10 | 0 | | |
| Eurofima 6⅝ 92 | 10 | 105⅛ | +0⅛ | 5.35 |
| FNMA 6⅞ 92 | 50 | 108⅛ | | 4.87 |
| GMAC 6⅝ 90 | 25 | 105⅛ | +0⅛ | 4.63 |
| Intel 6⅝ 92 | 12.5 | 102⅛ | +0⅛ | 6.12 |
| Int-Amer Dev 7⅛ 93 | 15 | 107⅛ | 0 | 6.53 |
| ITT 6⅛ 92 | 20 | 106⅞ | +0⅛ | 5.16 |
| McDonald Corp 6⅝ 92 | 25 | 106 | +0⅛ | 4.91 |
| New Zealand 7⅛ 90 | 15 | 106 | +0⅛ | 4.78 |
| New Zealand 7⅛ 89 | 15 | 107⅛ | | 4.64 |
| Pacific Gas & El 7 94 | 20 | 0 | | |
| Penney J C 6⅝ 92 | 25 | 106⅛ | +1 | 5.18 |
| Procter 6⅝ 92 | 25 | 0 | | |
| Sallie Mae 6⅝ 92 | 25 | 108⅛ | +0⅛ | 4.72 |
| TRW 7 94 | 15 | 104⅛ | +0⅛ | 6.22 |
| World Bank 7⅛ 93 | 20 | 114⅛ | +0⅛ | 5.09 |
| World Bank 6 93 | 20 | 115 | +0⅛ | 5.07 |

| LUXFR STRAIGHTS | Issued | Bid Price | Chg. on week | Yield |
|---|---|---|---|---|
| Asian Dev Bank 8⅝ 87 | 400 | 99⅛ | 0 | 8.91 |
| EIB 10½ 94 | 1bn | 107⅛ | 0 | 9.06 |
| Eurofima 10 94 | 600 | 104 | −0⅛ | 9.24 |
| Eur Coal & Stl 10⅛ 94 | 1bn | 103⅛ | 0 | 9.80 |
| Renault Acc 7⅛ 88 | 500 | 99⅛ | 0 | 7.88 |

| GUILDER STRAIGHTS | Issued | Bid Price | Chg. on week | Yield |
|---|---|---|---|---|
| ABN 8 89 | 200 | 103⅛ | +0⅛ | 5.89 |
| ABN 7⅛ 89 | 150 | 104 | 0 | 6.10 |
| Amro Bank 7⅛ 89 | 150 | 103 | 0 | 5.85 |
| Amro Bank 8 89 | 200 | 103⅛ | 0 | 6.17 |
| Beatrice Foods 8⅝ 89 | 100 | 104⅛ | 0 | 6.29 |
| Bk Mees & Hope 8⅝ 89 | 100 | 104⅛ | 0 | 6.13 |
| CC Rabo 8 89 | 150 | 103⅛ | 0 | 6.10 |
| Denmark 8⅝ 91 | 100 | 107⅛ | 0 | 6.36 |
| Int Stand Elec 8⅝ 89 | 150 | 103⅛ | 0 | 6.33 |
| New Zealand 8⅝ 89 | 100 | 104⅛ | 0 | 6.07 |

| CANADIAN DOLLAR STRAIGHTS | Issued | Bid Price | Chg. on week | Yield |
|---|---|---|---|---|
| AIDC 10 91 | 100 | 104 | +0⅛ | 8.79 |
| Aust Resources 11⅝ 92 | 80 | 108⅛ | +0⅛ | 9.38 |
| Bank of Tokyo 10⅝ 92 | 75 | 103 | 0 | 10.09 |
| Bqe l'Indosuez 14 91 | 75 | 112 | 0 | 10.46 |
| Br Col Munic 12⅛ 91 | 100 | 112⅛ | +0⅛ | 8.63 |
| Br Col Munic 13⅞ 91 | 100 | 118⅛ | +0⅛ | 9.69 |
| Br Col Tele 12⅛ 89 | 70 | 106⅛ | +0⅛ | 11.29 |
| Farm Cred Corp 12⅛ 90 | 75 | 110⅛ | +0⅛ | 8.73 |
| Kredietbank 12 92 | 75 | 107 | 0 | 10.13 |
| Laval City 10⅛ 92 | 40 | 106⅛ | +0⅛ | 8.75 |
| Montreal City 12⅛ 91 | 50 | 111⅛ | +0⅛ | 8.89 |
| New Brunswick 12⅛ 95 | 75 | 114⅛ | +0⅛ | 9.40 |
| Nova Scotia 11⅛ 95 | 100 | 114⅛ | +0⅛ | 9.45 |
| Royal Trustco 10⅝ 90 | 75 | 108⅛ | +0⅛ | 8.69 |

| ECU STRAIGHTS | Issued | Bid Price | Chg. on week | Yield |
|---|---|---|---|---|
| ABN 9⅛ 92 | 100 | 101 | 0 | 9.24 |
| Aegon NV 7⅛ 95 | 100 | 96⅛ | +0⅛ | 7.91 |
| All Nippon Airwys 9 95 | 130 | 107 | +0⅛ | 7.79 |
| Australia & NZ 10⅛ 91 | 100 | 108 | 0 | 8.23 |
| Austria 10⅛ 93 | 100 | 110⅛ | −0⅛ | 8.28 |
| BFCE 9⅛ 93 | 100 | 108⅛ | +0⅛ | 7.60 |
| BFCE 8⅝ 93 | 150 | 102⅛ | +0⅛ | 8.16 |
| BNP 8⅝ 95 | 75 | 108 | +0⅛ | 8.03 |
| Caisse Nat Telcm 9⅛ 92 | 75 | 103⅛ | 0 | 7.72 |
| Chrysler Fin 9 92 | 75 | 102⅛ | +0⅛ | 8.42 |
| Colgate-Palmolive 8 91 | 75 | 101⅛ | +0⅛ | 7.45 |
| Cred Lyonnais 8⅝ 92 | 175 | 98⅞ | +0⅛ | 7.37 |
| Cred National 10⅛ 94 | 50 | 108⅛ | +0⅛ | 8.88 |
| Cred National 11⅛ 91 | 100 | 108⅛ | +0⅛ | 8.93 |
| Creditanstalt 8⅝ 94 | 87 | 105⅛ | +0⅛ | 7.96 |
| Denmark 7⅛ 96 | 250 | 97⅛ | +0⅛ | 7.95 |
| Ebco Intl 10⅛ 89 | 55 | 102⅛ | 0 | 9.32 |
| EEC 11⅛ 91 | 50 | 107⅛ | +0⅛ | 8.99 |
| EIB 9⅛ 95 | 200 | 106 | 0 | 8.20 |
| EIB 10⅛ 94 | 130 | 112⅛ | +0⅛ | 7.79 |
| EIB 11⅛ 92 | 75 | 108⅛ | −0⅛ | 8.98 |
| Genfinance 11 90 | 70 | 105⅛ | −0⅛ | 9.21 |
| Giro Vienna 10⅛ 93 | 60 | 107⅛ | −0⅛ | 8.92 |
| GTE Finance 10⅛ 92 | 75 | 105⅛ | −0⅛ | 8.76 |
| Ireland 10⅛ 95 | 50 | 107 | +0⅛ | 8.58 |
| Italian Govt 10½ 92 | 600 | 104⅛ | −0⅛ | 9.30 |
| Italian Tres 11⅛ 90 | 500 | 106 | −0⅛ | 8.84 |
| Italy 9⅛ 89 | 200 | 104⅛ | −0⅛ | 7.71 |
| Kredietbank L 9⅛ 92 | 75 | 102⅛ | +0⅛ | 8.74 |
| Morgan Gty Tst 8⅝ 92 | 50 | 103⅛ | +0⅛ | 7.41 |
| Royal Bk Can 10.6 88 | 50 | 102⅛ | −0⅛ | 9.27 |
| Swedish Export 11 88 | 57 | 102⅛ | −0⅛ | 9.60 |
| West LB 10⅛ 91 | 100 | 104⅛ | 0 | 9.23 |
| World Bank 10⅞ 88 | 100 | 103⅛ | 0 | 8.85 |

| AUSTRALIAN DOLLAR STRAIGHTS | Issued | Bid Price | Chg. on week | Yield |
|---|---|---|---|---|
| BMW Fin A 13⅛ 96 SW | 75 | 101⅛ | 0 | 13.44 |
| Nat Aust Bk 12⅛ 89 | 50 | 95⅛ | +1 | 15.00 |
| SBC Australia 12⅛ 90 | 80 | 100⅛ | +0⅛ | 12.34 |
| Westpac Bkng 12⅛ 90 | 50 | 94⅛ | +0⅛ | 14.69 |

| STERLING STRAIGHTS | Issued | Bid Price | Chg. on week | Yield |
|---|---|---|---|---|
| BAT Intl 10⅛ 91 | 100 | 101⅛ | +0⅛ | 10.26 |
| Denmark 10⅛ 89 | 100 | 100⅛ | +0⅛ | 10.37 |
| EEC 11⅛ 94 | 50 | 104⅛ | +0⅛ | 10.38 |
| EIB 11½ 90 | 50 | 104⅛ | +0⅛ | 9.96 |
| Europarat 11⅛ 92 | 50 | 104⅛ | +0⅛ | 10.34 |
| Halifax BS 9⅝ 93 | 100 | 105 | [illegible] | [illegible] |
| ICI 11⅛ 95 | 125 | 104⅛ | 0 | 10.48 |
| Ind Bk Japan 11⅛ 92 | 30 | 102⅛ | +1⅛ | 11.20 |
| Int-Amer Dev 11⅛ 91 | 50 | 104⅛ | 0 | 10.05 |
| Invest in Indust 10 93 | 60 | 97⅛ | 0 | 10.47 |
| Ireland 11⅛ 94 | 50 | 102⅛ | +0⅛ | 10.89 |
| New Zealand 10⅛ 89 | 300 | 100⅛ | 0 | 10.25 |
| Ryl Bk Canada 10⅞ 91 | 50 | 101⅛ | +0⅛ | 10.41 |
| World Bank 10⅛ 89 | 100 | 101⅛ | +0⅛ | 9.96 |
| World Bank 11⅛ 88 | 100 | 101⅛ | +0⅛ | 10.47 |
| Yamaichi Scs 3⅛ 91 XW | 20 | 73 | +1⅛ | 11.37 |

| EQUITY WARRANTS | Expiry date | Bid Price | Chg. on week | Prem. |
|---|---|---|---|---|
| Casio Computer | 6/3/89 | 41 | +0⅛ | 14.12 |
| Daiwa Secs Co | 7/5/91 | 81 | −1 | 3.59 |
| Fujitec Corpn | 9/9/91 | 24 | 0 | 38.49 |
| Fujitsu | 31/1/91 | 30 | +2 | 33.74 |
| Gunze | 22/11/90 | 45 | −8 | −1.49 |
| Minebea Co | 22/5/91 | 13⅛ | −2 | 9.27 |
| Renown Inc | 24/1/89 | 21 | −0⅛ | 12.59 |
| Seino Trans | 17/3/89 | 77⅛ | +1 | −2.98 |
| Sonoike Mfg | 12/9/91 | 15 | +0⅛ | 28.11 |
| Sony Corp | 26/4/90 | 18⅛ | +0⅛ | 59.07 |
| Sumitomo Corp | 24/1/91 | 56 | −8⅛ | 0.69 |
| Toray Ind | 10/12/90 | 51⅛ | +9 | 10.10 |
| UNY | 17/6/91 | 10 | −0⅛ | 60.42 |

| BOND WARRANTS | Expiry date | Bid Price | Chg. on week | Ex. yield |
|---|---|---|---|---|
| Aegon Ins 11⅛ 91 | 15/2/88 | 105 | 0 | 8.20 |
| Coca Cola 11⅛ 91 | 28/11/88 | 0 | | |
| Dart Kraft F 10⅛ 98 | 1/1/96 | 26 | 0 | 8.80 |
| Denmark 12⅛ 92 | 31/1/90 | 0 | | |
| Ekspotfinas 13⅛ 89 | 15/9/87 | 130 | 0 | 7.83 |
| Holland Air 11⅛ 91 | 10/8/88 | 67 | 0 | 9.10 |
| Ind Bk Jpn 12⅛ 91 | 5/10/89 | 65 | 0 | 8.42 |
| Mitsubishi F 12⅛ 91 | 8/11/89 | 155 | 0 | 8.50 |
| J P Morgan 11⅛ 90 | 16/8/87 | 83⅛ | −1⅛ | 7.90 |
| Texaco Cap 12⅞ 92 | 1/9/87 | 65 | −3 | 11.20 |
| Wils Frgo A 12⅛ 91 | 27/12/89 | 170 | 0 | 8.25 |
| Weyerhar C 11⅛ 90 | 15/11/87 | 90 | −1⅛ | 8.11 |

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=current coupon.
CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.

Closing prices on February 6.

EUROCREDITS

# Facility for Federal Express

FEDERAL EXPRESS, the US courier services company, has awarded a mandate to First Chicago to arrange a $385m multiple option facility in the Euromarkets.

The five-year facility carries a margin over London interbank offered rate of 7.5 basis points, with utilisation fees of 10 basis points for 33 to 66 per cent usage and 15 basis points above 66 per cent. The facility fee is 6.25 basis points. Front-end fees are 10 basis points for $40m commitments, 8 for $25m and 5 for $15m.

Elsewhere in the Eurocredit market, Credit Populaire d'Algerie mandated Long-Term Credit Bank of Japan for a loan of up to $100m, to be syndicated on a best-efforts basis The deal is the second for an Algerian borrower in as many weeks, following Sonatrach's £75m bankers acceptance facility.

Credit Populaire is to pay 62.5 basis points over Libor for the entire seven-year term which includes four years' grace. The committment fee is 37.5 basis points, and the front-end fees range up to 1.25 percentage points for commitments of $10m.

Chase Investment Bank and Union des Banques Arabes et Francaises have been mandated for a $360m Turkish motorway financing, covering the section of the Europe-Mideast highway from Tarsus to Gaziantep, and are arranging a substantial portion of it through private placements. On the bank portion, launched at the weekend, there is a two-to-one ratio between Italian-guaranteed export financing and Turkish risk.

The bank financing comprises a $135m 13-year buyer credit, 90 per cent guaranteed by Italy's SACE agency, with 3½ years' grace and a margin of 93.75 basis points over Libor; and a $54m seven-year Eurocredit with 3½ years' grace and a 1.25 percentage point spread over Libor. There is a commitment fee of 50 basis points and front-end fees range down from 85 basis points on $20.9m commitments to the export credit and 90 basis points on $8.8m to the Eurocredit.

Republic National Bank of New York appointed Samuel Montagu as a "distributor," in conjunction with itself, for sterling certificates of deposit to be issued.

**Alexander Nicoll**

# Cyclops seeks delay on raised bid

BY ANATOLE KALETSKY IN NEW YORK

CYCLOPS, the Pittsburgh-based steelmaking and electrical retailing company which Dixons of the UK is believed to be considering as its next acquisition, has asked its shareholders to defer consideration of a newly-raised offer worth $332m from Audio/Video Affiliates, another US retailing company.

The Audio/Video bid, which was increased on Thursday from $75 to $80 a share, is the only offer for Cyclops currently on the table, but there is strong speculation on Wall Street that another suitor may soon come forward.

Cyclops shares closed at $85¼ on Friday, up $12¾ on the week, as investors set their sights on an offer which would top the Audio-Visual bid.

In its response to the bid, the first public statement made by Cyclops on the subject, the board was careful not to rule out a merger with Audio/Video or any other company.

It merely asked shareholders not to decide on the offer until the board made a formal recommendation, which it promised by February 19.

The attraction of Cyclops to potential bidders, including possibly the acquisitive Dixons electronic retail chain, lies in the possibility of spinning off its speciality steel and industrial construction operations, and being left with a substantial retailing business.

This includes 111 Silo electrical appliance stores and 11 Busy Beaver home improvement centres. Retailing currently accounts for roughly 40 per cent of Cyclops' total annual sales of $1.4bn.

Audio/Video says it now has commitments to provide up to $100m of the financing. It adds in a filing with the Securities and Exchange Commission that it may consider the sale of certain assets, "depending on business, financial and other conditions."

# Final-quarter provision puts E. F. Hutton in red

BY OUR NEW YORK STAFF

E. F. HUTTON, the Wall Street brokerage firm which has been suffering from a series of financial and legal problems, has reported a net loss of $133.8m or $4.25 a share in the fourth quarter of 1986, and has slid into the red for the year as a whole.

The loss included a previously announced provision of $130m to cover client losses on certain municipal securities and tax shelter products, as well as associated litigation.

For the latest quarter, Hutton's operating earnings before the special charge amounted to $617,000 or two cents a share, a figure most analysts considered very disappointing in view of the record profits being made by other firms on Wall Street.

In the fourth quarter of 1985, Hutton had lost $12.2m or 46 cents a share—a result which was also due to special charges, that time connected with problems on mortage securities and receivables.

For 1986 as a whole, Hutton lost $90.3m or $2.90 a share compared with a profit of $43.7m or $1.63 a share the year before. The company's revenues increased in 1986 by 12 per cent to $2.8bn Excluding the last quarter's provisions and related tax charges the full year earnings in 1986 would have been $39m, Hutton said.

All Hutton's results have been adjusted to exclude the profits from its insurance operations, the sale of which the company announced last month.

# Loss at Spanish utility 'equals 85% of capital'

BY DAVID WHITE IN MADRID

AN AUDIT carried out at Fuerzas Electricas de Cataluna (Fecsa), the electrical utility which sent tremors through Spanish stock markets when its shares were suspended last week, have shown up losses of more than Pta 40bn ($308m) for 1985 and, on the basis of the first nine months, similar losses for last year, according to Mr Enrique de Benito, chairman of the Madrid Stock Exchange.

The combined losses cited by Mr de Benito would be equivalent to over 85 per cent of Fecsa's equity capital.

Mr de Benito made the remarks on Spanish television in order to justify the suspension move. Earlier, Mr Juan Alegre Marcet, Fecsa's chairman, said there were "no objective reasons" for the decision.

Fecsa, which announced net profits of Pta 5.7bn for 1985, has had to defer depreciation charges because of the weight of financial costs. Its debt is estimated at Pta 570bn.

Following the suspension, Bank of America and the Caja de Ahorros de Barcelona have postponed the signing of a two-part Pta 20bn credit line aimed at refinancing part of Fecsa's borrowings.

Local press reports at the weekend said that a new managing director was due to be named at Fecsa to negotiate the reorganisation of Fecsa's debts, the sale of assets, and an agreement with the government on accounting norms.

# Chicago plans Liffe T-bond link

BY DAVID OWEN IN CHICAGO

THE London International Financial Futures Exchange (Liffe) and the Chicago Board of Trade (CBOT), the world's largest futures exchange, are expected today to announce plans to establish a fungible trading link between their respective US Treasury bond futures contracts.

Such an arrangement, which has been under consideration for a prolonged period, would permit positions opened in London to be closed later the same day in Chicago.

Since the Chicago exchange last month approved at board level a plan to trade its T-bond and T-note contracts in an additional 5 pm to 9 pm session, the move promises to create a virtual round-the-clock market in the instrument. Liffe already has a US T-bond futures link with the Sydney Futures Exchange, established last October.

T-bond futures at the CBOT, is the world's most actively traded contract. Overall 1986 volume totalled 52.6m lots. By comparison, Liffes T-bond futures volume last year was 1.6m lots.

The link is one of a number of projects on which the two exchanges have been working together. These include a joint agreement to develop and launch an interchangeable yen bond futures contract and an ongoing attempt to devise a viable Eurobond futures contract.

Liffe now expects to introduce a yen bond future by the end of May, despite difficulties over its precise formulation. The CBOT anticipates a later launch date, due mainly to tougher US regulatory requirements.

● The Chicago-based Midwest Securities Trust Company and France's Societe Interprofessionnelle pour la Compensation des Valeurs Mobilieres (Sicovam) have announced the formation of an electronic link for the settlement and safekeeping of US securities transactions. It is the first such link to be implemented between the two countries.

All 56 US issues listed on the Paris bourse are eligible for settlement via the link, which is expected to provide cheaper and more efficient settlement of trades.

# US offering by Banco Santander

By Our Madrid Correspondent

BANCO SANTANDER, which in terms of stock market capitalisation ranks first among Spanish banks, announced plans at the weekend to introduce between 3 and 4 per cent of its equity on the New York Stock Exchange.

The operation, which follows listings in Paris, Frankfurt and London, is planned for mid-April and would raise the total foreign holding in the bank to between 8 and 10 per cent.

The bank also announced a 20 per cent rise in dividend from Pta 75 to Pta 90 per share and an increase in its nominal share value from Pta 470 to Pta 500.

## NEW INTERNATIONAL BOND ISSUES

| Borrowers | Amount m. | Maturity | Av. life years | Coupon % | Price | Book Runner | Offer yield % |
|---|---|---|---|---|---|---|---|
| **U.S. DOLLARS** | | | | | | | |
| Showa Denko ¶‡ | 100 | 1992 | 5 | 3 | 100 | Yamaichi Int. (Eur) | 3.000 |
| Itoman and Co Ltd ¶‡ | 100 | 1992 | 3 | 3⅛ | 100 | Daiwa Europe | 3.125 |
| Wyse Technology §‡ | 45 | 2002 | 15 | 6 | 100 | J. H. Schroder Wagg | 6.000 |
| Tokyo Dept. Store ¶ | 80 | 1992 | 5 | (3¼) | 100 | Nomura Int. | * |
| Keihan Elec. Railway ¶ | 70 | 1992 | 5 | (3¼) | 100 | Nikko Secs. (Europe) | * |
| EEC ‡ | 250 | 1993 | 6 | 7¼ | 101 | Warburg Securities | 7.040 |
| Toyoda Tsusho Kaisha ¶ | 78 | 1992 | 5 | (3¼) | 100 | Nomura Int. | * |
| Kyotaru Co. ¶ | 85 | 1992 | 5 | (3¼) | 100 | Nomura Int. | * |
| Tokyo Store Chain ¶ | 50 | 1992 | 5 | (3¼) | 100 | Nomura Int. | * |
| Ciba-Geigy Int. (a)‡ | 50 | 1994 | 7 | 7½ | 101.35 | Daiwa Secs. | 7.247 |
| Banque Indosuez ‡ | 90 | 1992 | 5 | 0 | 70.35 | Daiwa Eur., Mitsui Tst | 7.287 |
| Kobe Elec. Railway ¶ | 30 | 1992 | 5 | (3¼) | 100 | Nikko Secs. (Europe) | * |
| Christiania Bank †‡ | 30 | 1990 | 3 | (c) | 100 | Nippon Credit Int. | — |
| Swedish Export Cr. ‡ | 100 | 1990 | 3 | 6¾ | 101.30 | Pru-Bache Secs. | 6.261 |
| Swedish Export Cr. ‡ | 100 | 1994 | 7 | 7½ | 100½ | Pru-Bache Secs. | 7.496 |
| Clal Finance (d)†‡ | 20 | 1994 | 7 | ¾ | 100 | Bk Leumi, Bk Hapoalim | — |
| Elf Aquitaine ‡ | 100 | 1997 | 10 | 7¾ | 100 | UBS (Secs) | 7.750 |
| **AUSTRALIAN DOLLARS** | | | | | | | |
| Deutsche Bk Fin. ‡ | 100 | 1992 | 5 | 14⅛ | 101½ | Deutsche Bk Cap. Mkts | 13.815 |
| BHF-Bank Fin. ‡ | 40 | 1992 | 5 | 14⅜ | 101¾ | Morgan Guaranty | 13.876 |
| Verein Overseas Fin. ‡ | 50 | 1992 | 5 | 14⅜ | 101¼ | Bayerische Vereinsbk | 14.011 |
| Finnish Export Cr. ‡ | 50 | 1990 | 3 | 14⅝ | 101¼ | Warburg Securities | 14.086 |
| Sth A'stralia Govt. Fin. ‡ | 100 | 1992 | 5 | 0 | 51¾ | Hambros Bank | 14.082 |
| Nordic Investment Bank ‡ | 50 | 1992 | 5 | 14⅜ | 101¾ | CIBC | 13.867 |
| **D-MARKS** | | | | | | | |
| Westland-Utrecht Hypo'bk ‡ | 100 | 1997 | 10 | 6 | 101¼ | CSFB-Effectenbank | 5.832 |
| Elders UK $‡ | 150 | 1997 | 10 | 2½ | 100 | CSFB-Effectenbank | 2.500 |
| Bank of Tokyo ‡ | 100 | 1993 | 6 | 5¾ | 100½ | Deutsche Bank | 5.658 |
| Tokyo Electric Power ‡ | 300 | 1997 | 10 | 6 | 100⅝ | WestLB | 5.915 |
| **SWISS FRANCS** | | | | | | | |
| Kuraray Ltd **¶‡ | 100 | 1992 | — | 1⅞ | 100 | Crédit Suisse | 1.875 |
| Kuraray Ltd **§‡ | 100 | 1992 | — | 1½ | 100 | Crédit Suisse | 1.500 |
| Dunsmuir-Leble **§‡ | 100 | 1992 | — | 2 | 100 | Bqe Paribas (Suisse) | 2.000 |
| Wormald Int. Fin. ¶ | 150 max | 1997 | — | (5⅛) | * | S. G. Warburg Soditic | * |
| Brierley Inv. O'seas **‡ | 75 | 1992 | — | 5 | 100¼ | Credit Suisse | 4.942 |
| Izutsuya Dept. Store **¶ | 30 | 1992 | — | (2⅛) | * | Handelsbank | * |
| Stavang **‡ | 25 | 1992 | — | 4½ | 100 | Crédit Suisse | 4.500 |
| Stavang **‡ | 25 | 1993 | — | 4⅝ | 100¼ | Crédit Suisse | 4.576 |
| Asid Corp. **‡ | 150 | 1992 | — | 4¾ | 100½ | Swiss Volksbank | 4.636 |
| Nihon Seikan Co. **‡ | 10 | 1992 | — | 4¾ | 100¼ | Fuji Bk (Schweiz) | 4.693 |
| Okamoto Machine Tools **‡ | 40 | 1992 | — | 4¾ | 100½ | B.della Sviz. Italiana | 4.636 |
| Mount Leigh Fin. § | 100 | 1997 | — | (3¼) | (100) | S. G. Warburg Soditic | * |
| **FRENCH FRANCS** | | | | | | | |
| EIB ‡ | 1.5bn | 1999 | 12 | 8½ | 95.70 | Société Générale | 9.104 |
| **LUXEMBOURG FRANCS** | | | | | | | |
| Council of Europe ‡ | 800 | 1994 | 7 | 7 | 100 | BIL | 7.000 |
| Bqe Int. l'Afrique Occ. **‡ | 300 | 1990 | 3 | 7⅜ | 100 | Bqe Paribas (Lux) | 7.375 |
| Kemira Oy **‡ | 300 | 1992 | 5 | 7½ | 100⅛ | BIL | 7.496 |
| **STERLING** | | | | | | | |
| CNT ‡ | 70 | 1997 | 10 | 10 | 101¼ | County NatWest | 9.700 |
| Philips Finance ‡ | 40 | 1994 | 7 | 10 | 101¼ | Baring Bros. | 9.745 |
| Finland ‡ | 100 | 1997 | 10 | 10⅛ | 100⅝ | Samuel Montagu | 10.023 |
| **FINNISH MARKKA** | | | | | | | |
| Outokumpu Oy ‡ | 200 | 1992 | 5 | 10¼ | 100½ | Kansallis Banking | 10.118 |
| **GUILDERS** | | | | | | | |
| Elders UK $‡ | 100 | 1997 | 10 | 2¾ | 100 | CSFB-Nederland | 2.750 |
| Amro Bank **‡ | 200 | 1992 | 5 | 6 | 100 | Amro Bank | 6.000 |
| World Bank ‡ | 300 | 1997 | 10 | 6⅛ | 98½ | ABN | 6.319 |
| **YEN** | | | | | | | |
| EDF ‡ | 20bn | 1994 | 7 | 5⅛ | 101⅜ | Nippon Cr, Nomura Int. | 4.846 |
| Ford Motor Credit ‡ | 15bn | 1992 | 5 | 5⅛ | 101¾ | Nomura Int. | 4.724 |
| Nat. Bank of Canada $‡ | 5bn | 1994 | 7 | 7 | 100⅝ | Morgan Stanley | 6.884 |
| Postipankki ‡ | 10bn | 1994 | 7 | 5⅛ | 101⅜ | Bk of Tokyo Int. | 4.824 |
| Christiania Bank ‡ | 10bn | 1992 | 5 | (b) | 101⅜ | Warburg Secs, Yasuda Tst | — |
| Credit Agricole ‡ | 20bn | 1994 | 7 | 5⅛ | 101½ | Nomura Int. | 4.876 |

* Not yet priced. ‡ Final terms. ** Private placement. † Floating rate notes. ¶ With equity warrants. ◊ With bond warrants. § Convertible. $ Currency linked. (a) Launched in Japan. (b) Step up coupon, years 1 and 2 1%, 7⅝% thereafter. (c) 1st Coupon-6m Libor less 0%, then Libor plus 2%, then Libor less 0%. (d) ¾ over 6m Libor. Note: Yields are calculated on AIBD basis.

# UK COMPANY NEWS

David Lascelles previews the flotation of the UK's eleventh largest bank

## Scandinavian Bank comes of age

THE CITY of London is having to learn a lot about Scandinavian Bank in a very short period of time; not just to understand the novel multi-currency capital scheme which has earned it much publicity recently, but also to prepare for the bank's flotation on the Stock Exchange which will take place in the next few weeks.

For a bank of its size, Scandinavian Bank is comparatively little known in the City. In asset terms it is the UK's eleventh largest bank; it is also the UK's largest bank without a public listing for its shares. So even if it had not adopted its curious capital structure, its arrival on the Exchange would be a noteworthy event.

Scandinavian belong so that esoteric breed known as consortium banks. It was set up in 1969 by several small Scandinavian banks who wanted a foothold in the London financial market but were too small to go it alone.

Today, Scandinavian is owned by Skandinaviska Enskilda Banken of Sweden (with 33 per cent), Bergen Bank of Norway (27 per cent), Union Bank of Finland (27 per cent), Privatbanken of Denmark (10 per cent), and Landsbanki Islands of Iceland (3 per cent).

Like many consortium banks which flourished on the London market, Scandinavian has reached the point where it has not only outgrown some of its owners but has acquired a strong identity of its own. This has raised questions about where it should go next, particularly since some of its owners now have big operations of their own in London.

Most other consortium banks outlived their usefulness and ended up being bought by one of their founders. But Scandinavian's owners have decided it should forge ahead on its own, and the flotation will, in a sense, mark its coming of age.

Though a UK-registered bank, Scandinavian still displays signs of its origins. Flaxen hair and lilting Nordic cadences are much in evidence at its headquarters beside St Paul's. It also depends heavily on Scandinavia for business, such as trade finance, company acquisitions, capital market issues and commercial lending.

But its chief executive, Mr Garrett Bouton, is an American, and the bank is increasingly becoming an international institution in its own right, with 17 offices round the world offering a wide range of banking services.

"We are an independant bank, but complementary to our shareholders," says Mr Bouton, who once oversaw Citibank's Scandinavian operations. Essentially, Scandinavian runs its own business, makes its own credit decisions (and turns down propositions from its shareholders if it does not like them) but makes its services and resources available to shareholders who want them.

Mr Garrett Bouton, chief executive of Scandinavian Bank

And though Mr Bouton says he still sees good growth prospects in the "Scandinavian niche," that is now only one leg of the operation. The listing, he says, should enhance the bank's standing in the UK market and provide capital for growth abroad.

More recently, Scandinavian has begun to venture into new businesses on its own, notably private banking and investment management which have been highly successful and account for as much as half its profits. The vehicle is its 76 per cent stake in Banque Scandinave en Suisse, its Geneva subsidiary which specialises in managing the financial affairs of wealthy individuals and has opened an office in London's West End.

Scandinavian has also just launched a novel venture, the Private Capital Group, which is to be a sort of co-operative of companies offering financial and other services to upmarket clients. The group buys a part interest in firms in return for shares in itself, thereby forming a mutual bond. Eventually, Scandinavian intends to float the group off on the Stock Exchange, which will enable the member firms to realise their holdings of group shares.

The group, which was developed by Mr Richard Andrew, formerly of Kleinwort Benson, recently struck its first major deal with Brewin Dolphin, the London stockbroking firm which specialises in private clients.

But it is the multi-currency capital scheme which has really given Scandiavian its name as an innovator. In a pioneering High Court decision last December, it received permission to transform its sterling denominated capital into a basket of currencies consisting of 50 per cent dollars, 20 per cent sterling and 15 per cent each DM and Swiss francs.

This mixture broadly mirrors the composition of its assets which means that, in future, the ratio between its assets and its capital (the key measure of bank strength) will remain constant, whatever happen to currency parities. Previously the bank's shareholders had to subscribe more capital every time sterling depreciated in order to keep the ratio in line.

The Capital Currency Units (CCUs), in which the bank's capital is now denominated, will form the basis for Scandinavian's flotation, though they will be listed and have their dividends paid in sterling.

The flotation will consist half and half of existing and new shares: the bank's current shareholders will reduce their holding to about 65 per cent, and the bank itself will raise more capital to boost its existing shareholders' funds of £126m. The five existing shareholders will all be bound by an agreement not to buy or sell any more shares in Scandinavian for at least four years after the flotation.

More details in the form of a pathfinder prospectus are expected within a week or so from Morgan Grenfell, the merchant bank, and Cazenove, the stockbrokers, who are handling the issue.

Not entirely by coincidence, Scandinavian has just reported some impressive results for 1986: pre-tax profits were up by 86 per cent to a record £26.4m, thanks in good part to the Swiss subsidiary whose earnings were boosted in sterling terms by the strong Swiss franc. Scandinavian also pointedly said that it had made large provisions against possible loan losses to underline the strength of its balance-sheet.

What investors make of Scandinavian when it comes to market remains to be seen. They will have to get the measure of the institution, and then decide whether they like multi-currency capital. Mr Bouton says that investors should not concentrate so much on the currency aspects but on the performance of the bank itself, which should be enhanced by the CCU and the greater certainty it brings to capital planning.

But he admits: "Whenever a new company comes to the market, investors like to make a comparison, to say this company is like another one that is already listed. But I have to say that there is no one you can really compare us to."

## Sanders & Sidney for USM with £4m value

By Alice Rawsthorn

Sanders and Sidney will introduce a new phenomenon to the Unlisted Securities Market tomorrow when it becomes the first outplacement consultancy to go public.

Outplacement is a relatively new concept in the UK. It was developed in the US and sprang up in the UK in the 1970s. Outplacement consultancies are contracted by large companies to offer advice and guidance to redundant executives when they attempt to find new jobs.

Sanders and Sidney, which operates in London, was formed in 1973. It now works with 45 of the Top 500 companies and will be capitalised at about £4m when it goes public in a placing of shares by the stockbroker, Capel-Cure Myers.

In the placing the company will release 35 per cent of its equity; some of the money will be ploughed back to increase working capital. The existing shareholders will, however, take the bulk of the capital raised.

Employment and recruitment consultancies have emerged as a fertile sector for the USM. One of the second market's most successful stocks, Blue Arrow which graduated to a full listing last year, was involved with staff recruitment.

The USM will gain another new recruitment consultancy when Select Appointments goes public in late April.

## BA allocations will favour small investors

BY RICHARD TOMKINS

MR JOHN MOORE, the Transport Secretary, said that the strength of response to the British Airways flotation had presented him with some tough decisions when it came to the allocation.

His difficulty was that in order to avoid a ballot, which would probably have lost the issue more friends than it found, he had to spread the 341.4m shares in the UK public offering among nearly 1.1m applicants—some of whom had applied for tens of millions of shares.

His response has been to eliminate the institutional investors, who in any case have received allocations in the pre-placing exercise, and instead favour smaller applicants. Even so, most investors will receive only a tiny proportion of the shares they applied for.

Members of the public applying for 400 to 1,500 shares will receive 200 shares, and those applying for 2,000 to 5,000 will get 250.

Applicants for 6,000 to 10,000 shares receive 300, and applicants for 15,000 to 35,000 will receive 350.

Those applying for 40,000 to 100,000 shares will receive 1 per cent of the total sought, and applicants for over 100,000 will receive no allocation at all.

Employee applications for free, matching and discount shares will be met in full. Priority applications by employees and pensioners will be met in full up to 25,000 shares, and priority applicants for more than 25,000 shares will receive 25,000 only.

After the allocation, UK institutions will hold 36 per cent of the total issue, the UK public 35 per cent, overseas investors 17 per cent and employees 9 per cent. Loyalty bonus retentions account for the balance.

Dealings begin at 2.30pm on Wednesday afternoon, but letters of allocation will not go out until next Monday.

## Rank confirms change of merchant bank

BY ALICE RAWSTHORN

The Rank Organisation, the leisure and entertainment group, has confirmed that it has appointed J. Henry Schroder Wagg as its merchant bank in place of S. G. Warburg.

Rank implemented the change in late December but did not issue a formal announcement. The company refused to articulate its reasons for appointing Schroder in Warburg's place.

Last year Rank mounted an unsuccessful takeover bid for the Granada Group. The bid was blocked by the Independent Broadcasting Authority because of the potential change of ownership for Granada Television.

Rank, which was advised in the Granada bid by Morgan Grenfell, has since expressed its intention of expanding its leisure and precision interests, principally in the US, through acquisition.

### PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus *) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

| | Date | Announcement last year | | Date | Announcement last year |
|---|---|---|---|---|---|
| Anglo Amer Gold | Mar 5 | Final 825c | *ICI | Feb 26 | Final 20.0 |
| *BAT Inds | Mar 26 | Final 7.35 | *Lloyds Bank | Feb 27 | Final 13.5 |
| *BP | Feb 19 | Final 22.0 | McAlpine (A.) | Feb 24 | Final 8.7 |
| BTR | Mar 12 | Final 5.0 | Marley | Feb 24 | Final 2.35 |
| *Barclays Bk | Feb 26 | Final 10.2 | Midland Bank | Mar 6 | Final 14.5 |
| Bejam | Mar 12 | Int 2.0 | *NatWest | Feb 24 | Final 18.2 |
| Berisford (S. and W.) | Feb 24 | Final 7.0 | Peachey | Feb 19 | Interim due |
| British Vita | Mar 3 | Final 3.7 | Plessey | Feb 20 | Interim 2.072 |
| Cadbury Schweppes | Mar 6 | Final 4.3 | *Reuters | Feb 11 | Final 2.0 |
| *Commercial Union | Mar 4 | Final 6.85 | *Royal Insce | Feb 26 | Final 16.55 |
| Cons Gold Fields | Mar 12 | Interim 8.5 | Rowntree Mackintosh | Mar 13 | Final 8.2 |
| *Dalgety | Feb 18 | Interim 5.5 | *Securicor | Feb 10 | Final 0.673 |
| De Beers | Mar 11 | Final 40c | *Shell | Mar 5 | Final 22.5 |
| Fisons | Mar 4 | Final 3.34 | Sime Darby | Mar 6 | Interim due |
| General Accident | Mar 5 | Final 14.0 | TI | Mar 6 | Final 5.0 |
| General Mining | Mar 13 | Final 140c | Transport Dev | Mar 10 | Final 4.5 |
| *Gold Flds SA | Feb 9 | Interim 55c | Ultramar | Mar 12 | Final 6.5 |
| Guest Keen | Mar 12 | Final 7.5 | Utd Biscuits | Mar 11 | Final due |
| Hillsdown | Mar 11 | Final 3.0 | *Vickers | Feb 23 | Final 8.0 |
| *Hongkong Shanghai Bk | Mar 10 | Final $0.31 | Williams Holdings | Mar 6 | Final 9.0 |
| | | | York Chems | Feb 26 | Final 3.0 |

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast

## Portsmouth & Sunderland rises

CONTINUED improvement in trading performance lifted turnover by 9 per cent and pre-tax profit by 68 per cent at Portsmouth & Sunderland Newspapers for the 39 weeks ended December 27, 1986.

In the third quarter turnover rose from £11.72m to £13.27m and profits from £343,000 to £1.03m, when compared with the like period of 1985. Those produced aggregate totals for the 39 weeks of £37.17m and £1.82m respectively.

The directors reported that the third quarter benefited from higher turnover and from the re-launch of the Croydon Free Newspapers, the costs of which fell in the 1985 period.

After tax £546,000 (£372,000) the net profit for the 39 weeks came to £1.27m (£712,000), and earnings were 9.9p (5.5p) per share.

### FT Share Information

The following securities have been added to the Share Information Service.

Abelscot (Section: Third Market).

Corton Beech (Third Market).

Halls, Homes & Gardens (Industrials).

Logitek (Electricals).

Wilding Office Equipment (Stores).

### BOARD MEETINGS

TODAY

Interims: C. H. Bailey, LDH Group, Gold Fields of South Africa, Helton Holdings, Manvier-Swain, Owen and Robinson.

Finals: Manchester Ship Canal, Vogelstruisbult Metal.

FUTURE DATES

Interims:

| | |
|---|---|
| Isotron | Feb 26 |
| Polytechnic Electronics | Feb 10 |

Finals:

| | |
|---|---|
| Anter | Mar 18 |
| Amcliffe | Feb 18 |
| BAT Industries | Mar 26 |
| Baillie Gifford Shin Nippon | Feb 27 |
| Bradero Properties | Mar 22 |
| General Funds Investment Tst | Feb 10 |
| German Smaller Companies Investment Trust | May 6 |
| Ladies Pride | Feb 24 |
| Persimmon | Mar 9 |
| Temple Bar Investment Trust | Feb 17 |
| Western Brothers | Feb 18 |













### BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| ABN Bank | 11 | ● Charterhouse Bank | 11 | ● Morgan Grenfell | 11 |
| Adam & Company | 11 | Citibank NA | 11 | Mna Credit Corp. Ltd | 11 |
| Allied Arab Bk Ltd | 11 | Citibank Savings | ¶12.45 | Nat Bk. of Kuwait | 11 |
| Allied Dunbar & Co | 11 | City Merchants Bank | 11 | National Girobank | 11 |
| Allied Irish Bank | 11 | Clydesdale Bank | 11 | Nat Westminster | 11 |
| American Exp. Bk | 11 | Comm. Bk. N. East | 11 | Northern Bank Ltd | 11 |
| Amro Bank | 11 | Consolidated Cred | 11 | Norwich Gen. Trust | 11 |
| Henry Ansbacher | 11 | Co-operative Bank | *11 | PK Finans. Intl (UK) | 11½ |
| ANZ Banking Group | 11 | Cyprus Popular Bk | 11 | Provincial Trust Ltd | 12 |
| Associates Cap Corp | 11 | Duncan Lawrie | 11 | R. Raphael & Sons | 11 |
| Authority & Co Ltd | 11½ | E. T. Trust | 12 | Roxburghe G'rantee | 11½ |
| Banco de Bilbao | 11 | Equatorl'l Tst C'p plc | 11 | Royal Bk of Scotland | 11 |
| Bank Hapoalim | 11 | Exeter Trust Ltd | 11½ | Royal Trust Bank | 11 |
| Bank Leumi (UK) | 11 | Financial & Gen. Sec | 11 | Standard Chartered | 11 |
| Bank Credit & Comm | 11 | First Nat. Fin. Corp | 11½ | Trustee Savings Bank | 11 |
| Bank of Cyprus | 11 | First Nat. Sec. Ltd | 11½ | UDT Mortgage Exp. | ¶12.25 |
| Bank of Ireland | 11 | ● Robert Fleming & Co | 11 | United Bk of Kuwait | 11 |
| Bank of India | 11 | Robert Fraser & Ptrs | 12 | United Mizrahi Bank | 11 |
| Bank of Scotland | 11 | Grindlays Bank | ‡11 | Westpac B'nking Corp | 11 |
| Banque Belge Ltd | 11 | ● Guinness Mahon | 11 | Whiteaway Laidlaw | 11½ |
| Barclays Bank | 11 | HFC Trust & Savings | 11 | Yorkshire Bank | 11 |
| Beneficial Tst Ltd | 11 | ● Hambro Bank | 11 | | |
| Beneficial Trust Ltd | 12 | Heritable & Gen. Tst | 11 | | |
| Berliner Bank AG | 11 | ● Hill Samuel | §11 | | |
| Brit. Bk. of Mid. East | 11 | C. Hoare & Co | 11 | | |
| ● Brown Shipley | 11 | Hongkong & Shangh' | 11 | | |
| Cl. Bank Nederland | 11 | Lloyds Bank | 11 | | |
| Canada Permanent | 11 | Mase Westpac Ltd | 11 | | |
| Cayzer Ltd | 11 | Meghraj & Sons Ltd | 11 | | |
| Cedar Holdings | 12 | Midland Bank | 11 | | |

● Members of the Accepting Houses Committee. * 7-day deposits 6.69%, 1-month 7.03%. Top Tier—£2,500+ at 3 months' notice 10.03%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¾% gross. ¶ Mortgage base rate. § Demand deposit 6.69%. Mortgage 12¼%.











### FINANCIAL TIMES STOCK INDICES

| | Feb. 6 | Feb. 5 | Feb. 4 | Feb. 3 | Feb. 2 | Jan. 30 | 1986/87 High | 1986/87 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs. | 86.24 | 85.80 | 85.61 | 85.31 | 85.35 | 85.31 | 94.51 | 80.39 | 127.4 | 49.18 |
| Fixed Interest | 92.81 | 92.51 | 92.34 | 92.29 | 91.93 | 91.90 | 97.68 | 86.55 | 150.4 | 50.53 |
| Ordinary | 1508.9 | 1486.2 | 1472.8 | 1458.5 | 1463.9 | 1441.0 | 1508.9 | 1094.3 | 1508.9 | 49.4 |
| Gold Mines | 319.3 | 311.9 | 311.5 | 309.7 | 313.5 | 321.8 | 357.8 | 185.7 | 734.7 | 43.5 |
| FT-Act All Share | 941.18 | 926.51 | 918.64 | 912.17 | 913.67 | 903.29 | 941.18 | 664.42 | 941.18 | 61.92 |
| FT-SE 100 | 1898.4 | 1866.1 | 1846.7 | 1828.6 | 1832.8 | 1808.3 | 1898.4 | 1370.1 | 1898.4 | 986.9 |

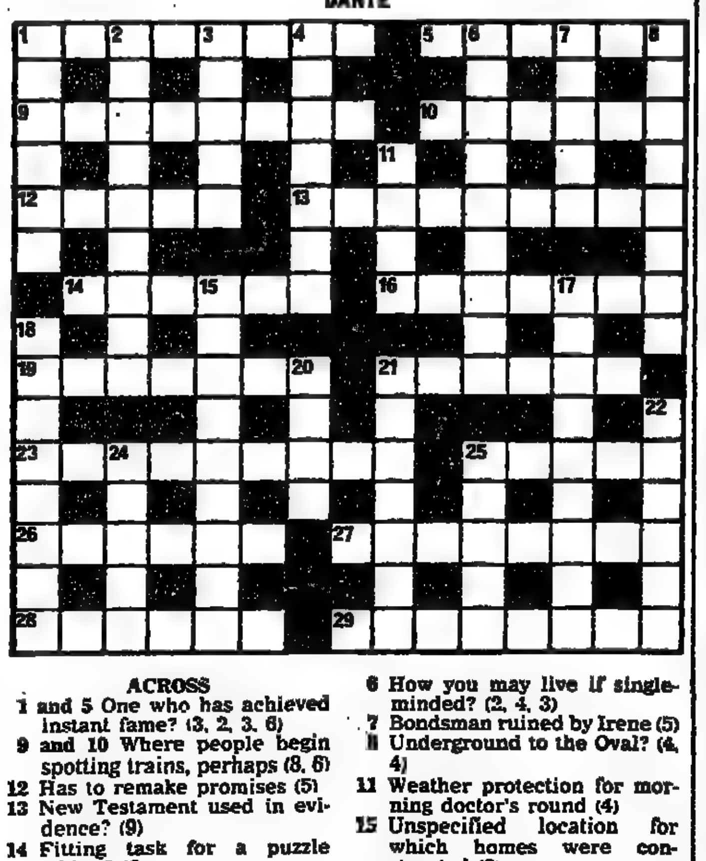
# AUTHORISED UNIT TRUSTS

# FT UNIT TRUST INFORMATION SERVICE

# INSURANCES

## FT CROSSWORD PUZZLE NO. 6,248

DANTE



### ACROSS

1 and 5 One who has achieved instant fame? (3, 2, 3, 6)
9 and 10 Where people begin spotting trains, perhaps (8, 6)
12 Has to remake promises (5)
13 New Testament used in evidence? (9)
14 Fitting task for a puzzle addict? (6)
16 Adage showing preference for a word of action (7)
19 A pea jacket, for example? (7)
21 Scandinavian article in plate (6)
23 Tea-lady appears daily (9)
25 Not all the pianist plays (5)
26 and 27 Soldiers on the march? (6, 8)
28 and 29 Clandestine affair of private interest (6, 8)

### DOWN

1 This may be lucky for a number at the races (6)
2 The object wasn't far from causing an accident (4, 5)
3 Three goddesses lay out a feast (5)
4 Worker was setting up a tool (7)
6 How you may live if single-minded? (2, 4, 3)
7 Bondsman ruined by Irene (5)
8 Underground to the Oval? (4, 4)
11 Weather protection for morning doctor's round (4)
15 Unspecified location for which homes were constructed (9)
17 Segregate something that may be present (6-3)
18 Locates unpleasant smell inside, but these won't cure it (8)
20 Insensitive one, for example, shows no hesitation (4)
21 Prison for a debt-collector who has gone wrong (7)
22 Got a seat when prepared to stand (6)
24 Maurice has a heart of gold (5)
25 Former churchman? (5)

**The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.**

# AUTHORISED UNIT TRUST & INSURANCES

**Cannon Assurance Ltd**
1 Olympic Way Wembley HA9 0NB 01 902 8876

| | | | | |
|---|---|---|---|---|
| **2nd Series Life Accumulation** | | | | |
| Equity | 363.3 | 384.4 | +3.0 | |
| High Income | 310.4 | 328.5 | +2.6 | |
| Property | 217.1 | 229.7 | | – |
| Managed | 262.3 | 277.6 | +1.5 | – |
| Deposit | 177.4 | 187.7 | | |
| Gilt | 181.6 | 192.2 | +0.8 | |
| American | 269.4 | 285.1 | +2.8 | – |
| International Money | 200.3 | 212.0 | –0.1 | – |
| Index | 110.5 | 116.9 | +0.7 | – |
| Far East | 213.4 | 225.8 | –0.4 | – |
| Global | 105.9 | 112.1 | +0.1 | – |
| European | 106.7 | 112.9 | –0.6 | – |
| Japan | 114.2 | 120.8 | –0.8 | – |
| Residential Property | 96.9 | 102.5 | | – |
| **2nd Series Pension Accumulation** | | | | |
| Equity | 580.5 | 614.3 | +5.5 | – |
| High Income | 370.4 | 392.0 | +3.4 | – |
| Property | 305.2 | 323.0 | | – |
| Managed | 380.4 | 402.5 | +2.2 | – |
| Deposit | 264.1 | 279.5 | | |
| Gilt | 256.2 | 271.1 | +0.9 | – |
| American | 426.3 | 451.1 | +4.8 | – |
| International Money | 288.1 | 304.9 | –0.4 | – |
| Index | 121.5 | 128.6 | +0.9 | – |
| Far East | 236.1 | 249.8 | –0.6 | – |
| Global | 109.0 | 115.3 | +0.2 | – |
| European | 110.0 | 116.4 | –0.7 | – |
| Japan | 119.6 | 126.9 | –0.6 | – |
| Residential Property | 97.8 | 103.5 | | – |
| **Other Funds** | | | | |
| Equity Units | | 78.00 | +0.67 | – |
| Property Units | | 22.92 | | – |
| Equity Bond/Exec | 48.34 | 51.15 | +0.42 | – |
| Property Bond/Exec | 30.96 | 32.76 | | – |
| Balanced Bond/Exec | 36.94 | 39.09 | +0.20 | – |
| L&E SIF 1 | 122.5 | 129.9 | +0.5 | – |
| L&E SIF 2 | 79.5 | 84.0 | +0.5 | – |

**City of Edinburgh Life Assurance**
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

| | | | | |
|---|---|---|---|---|
| Ivory & Sime Bond | 118.0 | 125.0 | | – |
| Risk & Reward Bond | 150.0 | 158.0 | | – |
| Murray Johnstone Fd | 135.0 | 143.0 | | – |
| Money Market Fd | 110.0 | 116.0 | | – |
| Investment Strategy Fd | 99.0 | 105.0 | | – |
| Ivory & Sime Pens Fd | 119.0 | 125.0 | | – |
| Risk & Reward Pens Fd | 132.0 | 139.0 | | – |
| Murray J'stone Pens Fd | 133.0 | 140.0 | | – |
| Money Market Pens Fd | 110.0 | 116.0 | | – |
| Inv Strategy Pens Fnd | 100.0 | 106.0 | | – |

**City of Westminster Assurance**

[illegible]

**Devonshire Life—Contd.**

| | | | | |
|---|---|---|---|---|
| Money | 100.6 | 106.0 | | |
| Pen Rainbow | 133.4 | 140.6 | +0.5 | |
| Pen World Growth | 104.0 | 109.6 | +0.6 | |
| Pen UK Equity | 145.4 | 153.2 | +0.6 | |
| Pen UK Small Cos | 135.6 | 142.9 | –0.1 | |
| Pen European | 99.0 | 107.3 | –1.8 | – |
| Pen Far Eastern | 226.8 | 238.9 | +2.4 | – |
| Pen Nth American | 98.0 | 103.3 | +1.6 | |
| Pen Fixed Interest | 110.9 | 116.8 | +0.5 | – |
| Pen Index Lnkd Stks | 101.4 | 106.9 | | – |
| Pen Money | 105.4 | 111.1 | | |

**Eagle Star Insurance Co Ltd**
Bath Road, Cheltenham GL53 7LQ 0242 221311

| | | | | |
|---|---|---|---|---|
| Secure Fund | 104.5 | 110.1 | +0.2 | – |
| Blue Chip Fund | 135.2 | 142.4 | +1.4 | – |
| Performance Fund | 162.6 | 171.2 | +0.8 | – |
| Adventurous Fund | 155.8 | 164.0 | –0.3 | – |
| Pensions Secure | 95.9 | 101.0 | +0.2 | – |
| Pensions Blue Chip | 104.0 | 109.5 | +1.3 | – |
| Pensions Performance | 104.8 | 110.4 | +0.7 | – |
| Pensions Adventurous | 103.7 | 109.2 | –0.4 | – |
| Pensions With Profits | 101.7 | 107.1 | +0.9 | – |

**Eagle Star Insur./Midland Assur.**
1 Threadneedle St, London EC2 01-588 1212

| | | | | |
|---|---|---|---|---|
| Eagle/Mid. Units | 178.0 | 184.5 | | 3.99 |

**Equitable Life Assurance Society**
4 Coleman Street, London EC2R 5AP 01-606 6611

| | | | | |
|---|---|---|---|---|
| Far Eastern | 182.5 | 192.1 | +0.5 | – |
| Fd of Inv Tsts | 151.1 | 159.0 | +0.8 | – |
| Gilt & Fixed Int | 117.0 | 123.2 | +0.8 | – |
| High Income | 168.8 | 177.7 | +2.2 | – |
| Intnl Growth | 113.9 | 119.9 | +0.4 | – |
| Managed | 137.9 | 145.2 | +1.3 | – |
| Money | 109.3 | 115.1 | | – |
| North American | 127.8 | 134.5 | +1.4 | – |
| Pelican | 157.6 | 165.9 | +2.4 | – |
| Property | 108.9 | 114.6 | +0.1 | – |
| Special Sits | 162.5 | 171.0 | +0.4 | – |
| School Fee Managed | 151.9 | 159.9 | +1.7 | – |
| **Pension Funds** | | | | |
| Far Eastern | 209.8 | 220.8 | +0.6 | – |
| Fd. of Inv Tsts | 167.1 | 175.9 | +1.1 | – |
| Gilt & Fixed Int | 121.7 | 128.1 | +1.0 | – |
| High Income | 194.3 | 204.5 | +3.2 | – |
| International Growth | 118.4 | 124.6 | +0.6 | – |
| Managed | 151.9 | 159.9 | +1.7 | – |
| Money | 119.1 | 125.4 | | – |
| North American | 134.7 | 141.8 | +1.9 | – |

[illegible]

# INSURANCE, OVERSEAS & MONEY FUNDS

## OFFSHORE AND OVERSEAS

## MANAGEMENT SERVICES

## Money Market Trust Funds

| | Gross | Net | Cr Equiv CAR | Int Cr |
|---|---|---|---|---|
| **Charities Aid Fndn Money Mngmt Co Ltd** | | | | |
| Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6461 | | | | |
| CAFCASH Call Fund | 10.73 | 8.02 | 11.78 | 3-mth |
| CAFCASH 7-day Fund | 10.53 | 7.87 | 11.56 | 3-mth |
| **The Charities Deposit Fund** | | | | |
| 2 Fore Street, London EC2Y 5AQ 01-588 1815 | | | | |
| Deposit | 10.65 | 11.08 | | 3-Mth |
| **The Money Market Trust** | | | | |
| 63 Qn Victoria St, EC4N 4ST. 01-236 0952 | | | | |
| Call Fund | 10.60 | 7.92 | 11.41 | 6mth |
| 7-day Fnd | 10.59 | 7.92 | 11.41 | 6mth |
| **Oppenheimer Money Management Ltd** | | | | |
| 66 Cannon St, EC4N 6AE. 01-236 1425 | | | | |
| Call Fnd | 10.76 | 8.06 | 11.58 | 6-Mth |
| 7-day Fund | 10.64 | 7.98 | 11.42 | 6-Mth |
| Dollar | 4.81 | 3.60 | 5.14 | 6-Mth |

## Money Market Bank Accounts

| | Gross | Net | Cr Equiv CAR | Int Cr |
|---|---|---|---|---|
| **Adam & Co. plc** | | | | |
| 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484 | | | | |
| Full Service Chq Acc | 10.25 | 7.50 | 10.80 | Qtr |
| **Aitken Hume** | | | | |
| 30 City Road, EC1Y 2AY. 01-638 6070 | | | | |
| Treasury Acc | 10.25 | 7.44 | 11.10 | Qtr |
| Hi Int Chq £1000-£5000 | 10.00 | 7.30 | 10.90 | Mth |
| Hi Int Chq £5,000+ | 10.25 | 7.60 | 11.10 | Mth |
| **Allied Arab Bank Ltd** | | | | |

## TRADITIONAL OPTIONS

### 3-month call rates

| Industrials | p | | p |
|---|---|---|---|
| Allied-Lyons | 27 | NEI | 8 |
| Amstrad | 15 | Nat West Bk | 48 |
| BAT | 35 | P & O Dfd | 45 |
| BOC Grp | 28 | Plessey | 16 |
| BSR | 11 | Polly Peck | 16 |
| BTR | 26 | Racal Elect | 15 |
| Babcock | 16 | RHM | 24 |
| Barclays | 42 | Rank Org Ord | 45 |
| Beecham | 40 | Reed Intnl | 25 |
| Blue Circle | 55 | STC | 13 |
| Boots | 22 | Sears | 12 |
| Bowaters | 32 | TI | 40 |
| Brit Aerospace | 42 | TSB | 8 |
| Brit. Telecom | 17 | Tesco | 36 |
| Burton Ord | 26 | Thorn EMI | 42 |
| Cadburys | 17 | Trust Houses | 15 |
| Charter Cons | 24 | Turner Newall | 18 |
| Comm Union | 28 | Unilever | 140 |
| Courtaulds | 26 | Vickers | 36 |
| FNFC | 17 | Wellcome | 17 |
| Gen Accident | 75 | **Property** | |
| Gen Electric | 15 | Brit Land | 16 |
| Glaxo | 85 | Land Securities | 30 |
| Grand Met | 40 | MEPC | 32 |
| GUS 'A' | 85 | Peachey | 24 |
| Guardian | 75 | **Oils** | |
| GKN | 24 | BOM | 3½ |
| Hanson Tst. | 18 | Brit Petroleum | 50 |
| Hawker Sidd | 42 | Burmah Oil | 32 |
| ICI | 75 | Charterhall | 4 |
| Jaguar | 42 | Premier | 3½ |
| Ladbroke | 32 | Shell | 65 |
| Legal & Gen | 20 | Tricentrol | 8 |
| Lex Service | 32 | Ultramar | 17 |
| Lloyds Bank | 38 | **Mines** | |
| Lucas Inds | 46 | Cons Gold | 62 |
| Marks & Spencer | 18 | Lonrho | 22 |
| Midland Bk | 48 | Rio T Zinc | 62 |
| Morgan Grenfell | 26 | | |

A selection of Options traded is given on the London Stock Exchange Report Page.

# LONDON SHARE SERVICE

## BRITISH FUNDS

| Interest Due | | Stock | Price £ | Last xd | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| **"Shorts" (Lives up to Five Years)** | | | | | | |
| 10 Aug | 10 Feb | Treas 10¼pcCv '87 | 100 | 5 1 | — | — |
| 24Aug | 24Feb | Exch 2½pc 1987 | 99 | 19.1 | — | — |
| 6Oct | 6Apr | Exch. 10½pc 1987 | 99¾ | 1 9 | 10.51 | 10.82 |
| 1 Nov | 1 May | Funding 6½pc 85-87 | 99 | 25.9 | 6.55 | 9.90 |
| 12Dec | 12Jne | Treas 10pc 1987 | 99¾ | 16.12 | 10.02 | 10.64 |
| 14Jan | 14Jly | Treas 3pc 1987 | 98 | 8.12 | 3.06 | 7.72 |
| 3May | 3Nov | Treas 12pc 1987 | 101¼ | 29.9 | 11.87 | 10.31 |
| 26 Jul | 26 Jan | Treas 7¾pc 1985-88 | 98¼ | 22.12 | 7.89 | 9.69 |
| 10Nov | 10May | Exch 10½pc '88 | 100 | 6 10 | 10.47 | 10.24 |
| 14Dec | 14Jne | Treas 9¾pc Cv '88 | 99 | 18.12 | 9.81 | 10.23 |
| 1Jan | 1Jul | Transport 3pc '78-88 | 93 | 25 11 | 3.20 | 7.72 |
| 25 Apr | 25 Oct | Treas. 9½pc '88 | 98 | 18 9 | 9.62 | 10.28 |
| 22 Aug | 22 Feb | Treas 11½pc 1989 | 102 | 16 1 | 11.24 | 10.19 |
| 18 Oct | 18 Apr | Treas 9½pc Cnv 1989 | 98 | 11 9 | 9.64 | 10.21 |
| 15Nov | 15May | Treas 3pc 1989 | 90 | 9 10 | 3.32 | 7.75 |
| 14Dec | 14Jun | Treas 10½pc 1989 | 100 | 18 12 | 10.44 | 10.19 |
| 1Feb | 1Aug | Exch 10pc 1989 | 99 | 29 12 | 10.09 | 10.19 |
| 29 Mar | 29 Sep | Exch 11pc 1989 | 101 | 26.8 | 10.81 | 10.21 |
| 15 Apr | 15 Oct | Treas 5pc 1986-89 | 90 | 8 9 | 5.50 | 8.88 |
| 15 May | 15 Nov | Exch 10¼pcCv '89 | 101 | 9 10 | 10.06 | 9.46 |
| 15 Jul | 15 Jan | Treas 13pc 1990 | 107 | 9 12 | 12.13 | 10.09 |
| 12 Aug | 12 Feb | Exch 11pc 1990 | 102 | 6.1 | 10.75 | 10.07 |
| 27 Sep | 27 Mar | Exch 12½pc 1990 | 106 | 18.8 | 11.78 | 10.14 |
| 8 Nov | 8 May | Treas 3pc 1990 | 86 | 2.10 | 3.48 | 7.86 |
| 15 Dec | 15 Jun | Treas 8¼pc 1987-90 | 95 | 18 12 | 8.59 | 9.67 |
| 25 Apr | 25 Oct | Treas 10pcCv 1990 | 99 | 18 9 | 10.06 | 10.12 |
| 22 May | 22 Nov | Exch 2½pc 1990 | 83 | 16.10 | 3.01 | 7.76 |
| 10 Jul | 10 Jan | Treas 11¾pc 1991 | 105 | 4 12 | 11.18 | 10.13 |
| 5Oct | 5Apr | Funding 5¾pc '87-91 | 88 | 1 9 | 6.50 | 9.15 |
| 13 Mar | 13 May | Treas. 3pc 1991 | 82 | | 3.65 | 8.04 |
| 12Jan | 12July | Treas 10pc Cv '91 | 101 | 8 12 | 9.85 | 9.56 |
| 25Apr | 25Oct | Exch. 11pc 1991 | 103¼ | 18 9 | 10.65 | 10.09 |
| 22Jly | 22Jan | Treas 12¾pc 1992 | 110¼ | 16 12 | 10.57 | 10.07 |
| **Five to Fifteen Years** | | | | | | |
| 21Aug | 21Feb | Treas 10pc 1992 | 99¾ | 15 1 | 10.02 | 10.04 |
| 7 Nov | 7 May | Treas 10½pc Cv 1992 | 101¾ | 1.10 | 10.33 | 10.07 |
| 25 Feb | 25 Aug | Exch 12¼pc '92 | 108¾ | 19 1 | 11.25 | 10.12 |
| 22Mar | 22Sep | Exch 13½pc 1992 | 113 | 18 8 | 10.87 | 11.21 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

## AMERICANS—Cont.

| Dividends Paid | Stock | Price £ | Last xd | Div Gross |
|---|---|---|---|---|
| Ap Jy Oc Ja | Chemical New York | 32¾ | 10.12 | $2.60 |
| Mar Jun S D | Chesebrough-Pond's $1 | 46 | 25.11 | $2.08 |
| Mar Jun S D | Chrysler $6¼ | 33¼ | 10.12 | $1.40 |
| My Au N F | Citicorp $4 | 37 | 28.10 | $2.46 |
| Fb My Ag Nv | CityFed Fin. Corp. | 819p | 29 10 | 40c |
| F My Au N | Colgate-Palmolive $1 | 30 | 21 1 | $1.36 |
| Mr Jn Se De | Colt Inds. $1 | 937p | 10.6 | — |
| Fe My Au Nv | Con. Freightways $0.625 | 22 | 3 03 | 82c |
| — | Cont Illinois Corp $1 | 355p | 10 12 | |
| | Cont Illinois Hldgs $1 | 16½p | | |
| | Corp Data (638 5699) | 207p | | |
| | Crown Silver $0.1 | 607p | | |
| | Damson Oil 40c | 32p | | |
| Mar Jun S D | Dana Corp $1 | 26 | 21 11 | $1.28 |
| | Data General | 23 | | |
| | Denna Loch Medical | 17p | | |
| Mr Jn Sp Dc | Dun & Bradstreet $1 | 81 | 17.11 | $2.56 |
| F My Au N | Eaton Corpn 50c | 50 | 4 2 | $1.60 |
| MaJnSepDec | FPL Group $0.01 | 22 | 24 11 | $2.04 |
| | Financial Financial | 12 | | |
| Jan Apr Jly O | First Chicago $5 | 21 | 2 12 | $1.32 |
| Mar Jun S D | Ford Motor $2 | 52 | 27 1 | $2.60 |
| Mar Jun S D | GATX 62½c | 25 | 10 12 | $1.50 |
| April Oct | Gen Elect $1½ | 67 | 24 9 | $2.52 |
| | General Host Corp $1 | | | 72c |
| Mar Jun S D | Gillette $1 | 48 | 29 10 | $2.72 |
| Fb My Aug Nv | Gt Am First Sav Bk $1 | 13 | 28 1 | |
| Fe My Au No | Gt Western Fin. $1 | 32 | 4 11 | $1.20 |
| Ja Ap Jy Oc | Greyhound $1.50 | 24 | 2.12 | $1.26 |
| Ja No Au My | Hadson Inc $0.50 | 15 | 21 10 | 9c |
| Mar Jun S D | Honeywell $1.50 | 43 | 24 11 | $2.00 |
| No Au Ap Ja | Hospital Corp Am $1 | 22 | 30 9 | 50c |
| Mr Jn Sp Dc | Houston Inds Inc | 25 | 24 11 | $2.80 |
| Mar Jun S D | IBM Corpn $1.25 | 90 | 6 11 | $4.40 |
| Ap Jy Oc Ja | IC Industries | 19 | 9 12 | 40c |
| Ja Ap Jy Oc | ITT Corpn. $1 | 39 | 4 11 | $1.00 |
| | Wimatron Inc | 165p | | |
| Mar Jun S D | Ingersoll Rand $2 | 50 | 14 11 | $2.60 |
| Fb Ap Aug Nv | Inslico $1 | 16 | 6.1 | $1.00 |
| Mar Jun S D | IU Intnl $1.15 | 13 | 11 11 | 40c |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

## INDUSTRIALS—Continued

[illegible]

## INSURANCES

[illegible]

## LEISURE

[illegible]

## LEISURE—Continued

[illegible]

## MOTORS, AIRCRAFT TRADES

### Motors and Cycles

[illegible]

### Commercial Vehicles

[illegible]

### Components

[illegible]

### Garages and Distributors

[illegible]

## NEWSPAPERS, PUBLISHERS

[illegible]

## PAPER, PRINTING, ADVERTISING

[illegible]

## PROPERTY

[illegible]

## PROPERTY—Continued

[illegible]

## SHIPPING

[illegible]

## SHOES AND LEATHER

[illegible]

## SOUTH AFRICANS

[illegible]

## TEXTILES

[illegible]

## TOBACCOS

[illegible]

## TRUSTS, FINANCE, LAND

### Investment Trusts

[illegible]

## INVESTMENT TRUSTS—Cont.

[illegible]

### Finance, Land, etc

[illegible]

## FINANCE, LAND—Cont.

[illegible]

## OIL AND GAS

[illegible]

## OVERSEAS TRADERS

[illegible]

## PLANTATIONS

### Rubbers, Palm Oil

[illegible]

### Teas

[illegible]

## MINES

### Central Rand

[illegible]

### Eastern Rand

[illegible]

### Far West Rand

[illegible]

## MINES—Continued

### O.F.S.

[illegible]

### Diamond and Platinum

[illegible]

### Central African

[illegible]

### Finance

[illegible]

### Australians

[illegible]

### Tins

[illegible]

### Miscellaneous

[illegible]

## THIRD MARKET

| Dividends Paid | Stock | Price | Last xd | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|
| p4.507 | | 226 | — | 3.2 | — | 2.0 | — |
| — | Aberdeen Am Pet 10p | 34 | — | | | | |
| | Allied Ins. Brokers | 118 | — | 13.5 | 2.5 | 4.2 | 13.7 |
| — | Catalyst Comm. 5p | 49 | — | — | — | — | — |
| — | | 56 | — | | — | — | 27.8 |
| — | ††Egl'ton Oil I$0.05 | 57 | — | — | — | — | — |
| — | Do. Warrants | 36 | — | — | — | — | — |
| — | Theme Holdings | 51 | — | — | — | — | |
| — | Wan Group | 119 | — | R4.8 | 2.5 | 5.4 | (8.5) |

## NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ‖ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

| | | | | | |
|---|---|---|---|---|---|
| Albany Inv 20p | 70 | .... | Fin. 13% 97/02 | £99¾ | +¼ |
| Craig & Rose £1 | £14¾ | .... | Arnotts | 335 | −10 |
| Finlay Pkg. 5p | 58 | .... | CPI Hldgs | 60 | .... |
| Holt (Jos) 25p | 855 | .... | Carrol Inds. | 158 | −2 |
| IoM Stm. £1 | 78 | .... | Dublin Gas | 10 | .... |
| | | | Hall (R. & H.) | 95 | .... |
| IRISH | | | Heiton Hldgs. | 28 | −1 |
| Fund 11¼% 1988 | £97½ | .... | Irish Ropes | 165 | .... |
| Nat. 9¾% 84/89 | £93 | +¼ | Unidare | 365 | .... |

# CONSTRUCTION CONTRACTS

## Turning the tide

The final link in the chain needed to complete the sea defences at Seaford has been put in place with the announcement from the Sussex division of Southern Water of the award of the contract for replenishing the beach. The contract, valued at £6.2m, has been awarded to a Dutch firm, **ZANEN DREDGING**, who will be working in a joint venture with **TARMAC MARINE**. The total cost of the sea defence project will be £9m.

The contract involves dredging 1.5m cu metres of shingle from the seabed off Littlehampton and transporting it by sea to Seaford Bay. The shingle will be pumped ashore through a pipeline laid on the seabed. Bulldozers will shape the beach to the required profile and the finished beach will be 25 metres wide at the crest and then slope to the sea.

In August last year the Minister of Agriculture, Mr Michael Jopling, made a special grant of £6m towards the cost of the scheme. Already two contracts have been awarded at Seaford, construction of the terminal groyne at Splash Point has already been completed at a cost of £600,000 and the placing of large granite rocks to protect the foot of the seawall over half of its length will be completed soon at a cost of £1.4m.

Zanen Dredging will be mobilising its dredgers and equipment in March and hope to start pumping shingle ashore in April. Work wil commence at the eastern end of the frontage at Splash Point and move eastwards towards the Buckle Inn. The pumping will take three to four hours twice daily. Because of the high cost of the equipment, work will be on a continuous basis, seven days per week. Placing of shingle is expected to be completed by September.

★

**GARDINER & THEOBALD** has been appointed quantity surveyors by Britoil (Development) for Phase II of the Glasgow office project. The work involves construction of a seven-storey reinforced concrete office block extension ot the existing building with granite cladding and curtain walling to elevations and full air-conditioning throughout. The contract is a management contract and is valued at £4m.

## Egyptian military township

A major civil engineering contract, worth nearly £40m, has been awarded to Cementation (Egypt), a Trafalgar House company, and its joint venture partner, Consolidated Contractors International (UK).

The project is for the Egyptian Ministry of Defence —Land Projects Organisation for the development of infrastructure for a new military township. The contract's UK goods and services content is financed under an ECGD supported line of credit.

Work encompasses the construction of 850,000 sq metres of roads, water supply network including elevated and underground water tanks and pumping stations, foul drainage including a sewage treatment plant, electrical works comprising power distribution stations, transformers, sub main power distribution and the laying of 500 kms of medium and low voltage cable.

The Cementation/Consolidated Contractors Joint Venture will also supply and install the electrical and mechanical equipment for the general kitchens and messes, together with the supply and installation of water heating boilers, laundry, ice making plant and four semi-automatic bakeries.

The project will take 33 months to complete, including a three-month initial design period. A local workforce of some 600 Egyptians will be employed with a joint venture project team of 35 expatriate personnel.

## Surrey Docks housing development

The **GLENLION GROUP** has secured contracts worth £17m for new build and refurbishment works. Heading the list is a £3.3m subcontract to construct, on two sites alongside the Greenland Passage entrance to the Surrey Commercial Docks, 146 luxury dwellings with adjacent underground car parks. Glenlion has imported a European tunnel formwork system for the insitu pouring of concrete superstructures and below ground parking facilities. The concrete-framed dwellings will be clad in yellow stock brickwork with portland stone plinths and feature panels. The contract, awarded by Danish developer and project management company Islef in joint venture partnership with Christiani Nielsen, will take 78 weeks to complete.

At Enfield, Glenlion is funding and constructing a gymnasium and teaching facilities following a decision by Westminster Roman Catholic Diocese Trustees to relocate the St Ignatius College lower school to a site alongside the existing upper school. The new facilities are part of a build exchange agreement enabling Glenlion to develop the vacated school land. New quality executive homes will be built and offered for sale following pupil relocation and demolition of redundant buildings. Design and construction costs for the school and proposed housing are £1.3m and £1.7m respectively.

New sheltered housing contracts include a £1.3m design and build scheme of 34 flats and 17 bungalows at Wigston, Leicestershire, for Oadby and Wigston Borough Council; 48 flats worth £1.8m for Dartford Borough Council; 53 flats value £1.4m at Nottingham for the Metropolitan Housing Trust and a £1.7m private scheme of 63 flats for sale to the elderly at Leighton Buzzard on behalf of developers Retirement Appreciation.

Other Local Authority and Housing Association awards for housing and refurbishment works include 12 family houses at South Norwood for the London Borough of Croydon (£539,363); flats and houses at Burgh Heath for Reigate and Banstead Borough Council (£506,818); extensions and alterations to form 35 aged persons units at Shirley, Surrey, for Methodist Homes for the Aged (£750,692) and modernisation of 30 family dwellings for the London Borough of Barnet (£691,303).

Two contracts in the commercial and retail sector complete the list of recent awards. Work has commenced on a £608,434 unemployment benefit office for the DOE/PSA at Albion Street, Bermondsey, and a 33,550 sq ft supermarket development in the centre of Harrogate, Yorkshire. The supermarket, to be occupied by Safeway, features a car park spanning the railway approach to the town's mainline station. Design and construction costs for the retail unit and parking deck are £1.7m.

## Mixed bag for Lilley

**F. J. C. LILLEY**, the Glasgow-based building and international construction group, has been awarded a number of contracts in the UK totalling £16m during January. Among the larger contracts received, Eden will be undertaking a £2.95m reconstruction of the M6 motorway for Cumbria District Council. Lilley Construction will be engaged in the harbour improvement at Kinlochbervie for the Highland Regional Council (£3.5m); MDW have been awarded the management contract for Phase 2 of the Britoil headquarters extension (£4.7m) and Lilley Construction is providing a pumping main at Renfrew for Strathclyde Region worth £1.36m and has secured a contract from Nottingham City Council for a pipeline (incorporating a tunnel and laid open-cut) for just under £1m. In the south, Lilley Construction will be building additional facilities for the disabled at CARE village near Arundel (£1.2m).

★

**JOHN NUGENT CONSTRUCTION** has been awarded contracts worth over £7m. They include: £2m for works at Austral House in the City of London; a £1.25m contract for the WRVS at Bluestar House, SW2 and numerous contracts for Barclays Bank, including branches at Sloane Square, Tunbridge Wells, Tonbridge and Tenterden. Additional contracts include Currie Motors at Stamford Hill, the Royal Festival Hall, the Victoria and Albert Museum and a contract for The Queen's Silver Jubilee Trust at Jockey's Field.

## Hammersmith offices plan

**SIR ROBERT McALPINE & SONS** has been awarded a contract, valued at £10m, by Rotch Investments (UK) for the construction of two six-storey office blocks on the old Cadby Hall site at Hammersmith. The two fully air-conditioned buildings, to be known as Windsor Plaza, will be of reinforced concrete frame construction on raft foundations, and finished in high quality aluminium and glass curtain walling. Work will include the installation of four passenger lifts, and the provision of a basement car park for 106 vehicles. The project is scheduled for completion in June and will provide the client with almost 10,000 sq metres of office accommodation.





### APPOINTMENTS

## IMRO names three new directors

IMRO (INVESTMENT MANAGEMENT REGULATORY ORGANISATION) has appointed Mr S. J. David Corsan, Sir Brian Kellett and Mr John Sadler directors. Mr Corsan is a recent senior partner of Coopers & Lybrand. Sir Brian is chairman of The Port of London Authority and a director of Unigate and National Westminster Bank. He was formerly chairman of TI Group. Mr Sadler is deputy chairman and finance director of John Lewis Partnership.

★

HELIX TECHNOLOGY GROUP has promoted two associate directors to full directors. Mr Howard Osborne becomes director with Helix Software Consultants and Mr Jonathan Worrall becomes director of Helix Financial Systems.

★

Mr Gordon W. Provan has joined the board of CELESTION INDUSTRIES and has been appointed managing director of the sound reproduction division. He becomes chairman of Celestion International and assumes direct responsibility for the overseas companies in the US, France and Germany. Dr David Marsh continues as managing director of Celestion International.

★

Mr David Barr has been appointed development director of INFORMATION SERVICES. He comes to ISL from the British Tourist Authority where he was manager of the Central Information Services.

★

Mr Alan Judge, who will be appointed chief executive designate from May 1. Mr Judge will be succeeded as chief executive of Pilkington Insulation by Mr Patrick Furlong on the same date. Mr Furlong has joined Pilkington Insulation as chief executive designate.

★

WESTPAC BANKING CORPORATION has appointed Mr Philip Pirie as head of originations in its international capital markets division in London. For the past year he has been a director of Chase Investment Bank and for five years prior to that was with Chase Manhattan Asia in Hong Kong.

★

EDINBURGH FUND MANAGERS, has appointed two assistant directors. Dr M. J. Dow, a fund manager in the Japanese Department, and Mr P. A. K. Arthur, the assistant company secretary.

★

Mr John Powell has been appointed financial director of MARCONI COMMUNICATIONS SYSTEMS. He was financial director of Marconi Space Systems in Portsmouth.

★

Mr M. E. Perkins property investment manager, has been appointed a director of COMMERCIAL UNION PROPERTIES.

★

EFT-POS ADMINISTRATION, a company within the structure of the Association for Payment Clearing Services (APACS), has made two senior appointments. Mr Richard I. L. Allen, a deputy chief of the banking department of the Bank of England, has been appointed chairman in succession to Mr David Robinson, an executive director of the Royal Bank of Scotland. Mr Brian Allison has been appointed general manager in succession to Mr Dougald McCallum who is to return to National Westminster Bank having completed a period of secondment. Mr Allison is being seconded from Midland Bank where he is assistant general manager with special responsibility for electronic banking and payment systems.

★

PIRELLI LTD has appointed Mr Martin Wood, sales and marketing director, the executive chairman of its distribution company Standard Tyre & Exhausts whose two operating divisions are Central Tyre and SMC, and also of CPK Auto Products.

★

Mr Anthony McGrath has been appointed a non-executive director of BONHAMS and its parent company, Montpelier Properties. Mr McGrath is a director of Baring Brothers & Co.

★

Mr Simon Linnett and Mr Gordon Nebeker have been appointed to the board of N. M. ROTHSCHILD & SONS. Mr W. S. Getz has been appointed a director and compliance officer.

★

BARING INTERNATIONAL INVESTMENT has made the following appointments to the board: Mr John Heskett and Mr Jonathan Minter, both of whom joined Barings in 1972 and are responsible for fixed interest portfolio management for North American clients.

★

DELTA GROUP has appointed Mr M. Beard as director of corporate communications. He was previously head of public affairs with the Wiggins Teape Group, a subsidiary of BAT Industries.

★

REGENCY LIFE ASSURANCE CO has appointed Mr Geoffrey Ross as financial director and actuary. He was previously financial director and actuary at Credit and Commerce Life.

★

CUSTOM LEASING, a Morgan Grenfell sales-aid leasing subsidiary, has appointed Mr Michael Griffin as finance director.



# DIARY DATES

## Parliament

### TODAY

**Commons:** Private members motions. Remaining stages of the Social Fund (Maternity and Funeral Expenses) Bill. Motions relating to the Rosyth and Devonport dockyard commercial management plan.

**Lords:** Teachers Pay and Conditions Bill, report.

**Select committees:** Welsh Affairs—subject: rail services to and in Wales. Witnesses: NUM, Transport Salaried Staffs Association and ASLEF (Room 18, 4 pm). Foreign Affairs—subject: Cyprus. Witnesses: Lord Bethell and Lord Willis (Room 15, 4.30 pm). Public Accounts—subject: control and management of the defence estates; sales of Leeds ordnance factory. Witnesses: Sir Clive Whitmore, Ministry of Defence, and Sir Gordon Manzie. Property Services Agency (Room 16, 4.45).

### TOMORROW

**Commons:** Opposition debate on a motion entitled: the housing crisis and the rise in homelessness.

**Lords:** Family Law Reform Bill, third reading. Local Government Finance Bill, second reading. Unstarred question on whether the Government will consider the policy of supplying arms to nations denying human rights.

### WEDNESDAY

**Commons:** Timetable motion on the Abolition of Domestic Rates (Scotland) Bill. Remaining stages of the Petroleum Bill. Motions on housing grants and revenue orders.

**Lords:** Short debate on the need to maintain and conserve adequate heating levels. Short debate on improved parking schemes for the handicapped. Local Government Act (Amendment) Bill, third reading. Infant Life (Preservation) Bill, committee. Unstarred question on the Minority Rights Group report on co-existence in some plural European societies.

**Select committees:** Welsh Affairs — subject: rail services to and in Wales. Witnesses: chairman, British Rail Board and officials (Room 18, 10.30 am). Trade and Industry — subject: motor components industry. Witnesses to be announced (Room 15, 10.45 am). Employment — subject: skills shortages. Witnesses: Engineering Industry Training Board (Room 8, 4.15 pm). Home Affairs — subject: prisons. Witnesses: Prison Officers' Association (Room 5, 4.15 pm). Public Accounts — subject: Nothern Ireland appropriation accounts 1985-86. Witnesses: officials from Ulster departments (Room 16, 4.15 pm). Social Services — subject: the problems associated with AIDS. Witness: Medical Research Council (Room 21, 4.15 pm). Transport — subject: decline of the UK-registered merchant fleet. Witnesses: NUMAST; Captain Lloyd (Room 17, 4.15 pm). Environment — subject: pollution of the rivers and estuaries. Witness: Water Authorities Association (Room 20, 4.30 pm).

### THURSDAY

**Commons:** Debate on a Government motion on employment and training initiatives.

**Lords:** Pilotage Bill, report. Protected Shorthold Tenancies (Rent Registration) Order, 1987: motion for approval.

### FRIDAY

**Commons:** Private members bills.

## Finance

### TODAY

COMPANY MEETINGS—
Avon Rubber, Melksham House, Melksham, Wiltshire, 2.30
McCarthy and Stone, Homeless House, Dyke Road, Brighton, East Sussex, 12.00

BOARD MEETINGS—
Finals:
Manchester Ship Canal
Vogelstruisbult Metal
Interims:
Bailey (C. H.)
LDH Group
Gold Fields of South Africa
Hartons
Mowlem-Swain
Owen & Robinson

DIVIDEND & INTEREST PAYMENTS—
Baker Perkins 3.25p
Coalite 2.25p
First Chicago 1997 $183.19
Gibbon Lyons 1.32p
Halma 0.785p
Imperial Cont. Gas 8p
Meyer Intnl. 3.15p
Midland Bk 2001 £144.84
Nationwide Bldg. Soc. 1996 (2nd Series) £49.39
Norcros 3p
Pall Cpn. 8.5cts
Plaxtons (G.B.) 3p
Preedy (Alfred) Sons 1p
Somic 6.8p
Spice 1.87p
Sylvone 3.6p
Tunstall 1.089
Wardle Storeys 4p
Wells Fargo 1996 $161.86

### TOMORROW

COMPANY MEETINGS—
Associated Paper Inds., Howard Hotel, Temple Place, W.C., 12.30
Baggeridge Brick, Midland Hotel, New Street, B'ham., 12.30
Fishguard and Rosslare Railways and Harbours, 163-203, Eversholt St., N.W., 12.15
Nottingham Brick, Albany Hotel, Nottingham, 12.00
Tomkinsons, Duke Place, Kidderminster, Worcestershire, 12.00

BOARD MEETINGS—
Finals:
Consolidated Co Bultfontein Mine
General Funds Inv Tst
Griqualand West Diamond Mining
Phoenix Property and Finance
Talbex
Interims:
Polytechnics Electronics
Press Tools
Scomray
Trent Hldgs
Throgmorton USM Tst

DIVIDEND & INTEREST PAYMENTS—
American Express 38cts
Avon Rubber 4p
Citicorp 81.5cts
Conversion 9¼pc 2001 4⅝pc
Fairbriar 1.5p
Kynoch (G. and G.) 2.5p
Nottingham Brick 6p
Salvesen (Christian) 1.375p
Tomkinsons 2.75p
Treasury 10¼pc 1987 5⅛pc

### WEDNESDAY FEBRUARY 11

COMPANY MEETINGS—
Johnson and Firth Brown, 20 Aldermanbury, EC, 11.00

BOARD MEETINGS—
Finals:
General Cons Inv Tst
Newmarket
Reuters
Interims:
Automagic Hldgs
Manganese Bronze
TR City of London Tst

DIVIDEND & INTEREST PAYMENTS—
Assctd. Paper Inds., 4.0p
Baggeridge Brick 6.25p
Banco Nacional de Mexico 1992 $172.8
Deelkraal Gold 7.815255p
Doornfontein Gold 34.387121p
Driefontein Cons. 45.328478p
Gold Fields Coal 15.63051p
Kloof Gold 18.758612p
Libanon Gold 54.708764p
McLeod Russel 5p
Marsh and McLennan 47.5cts
Nat. Westminster Bank (Ser. B) $341.81
Scottish Invst. Tst. 4.25p
Venterspost Gold 37.513223p
Vlakfontein Gold 4.689133p

### THURSDAY FEBRUARY 12

COMPANY MEETINGS—
County Props., Victoria House, Vernon Place, W.C., 12.00
Devenish (J. A.), Brewers' Hall, Aldermanbury Square, E.C., 12.00
Dobson Park Inds., Portland Thistle Hotel, Portland Street, Piccadilly Gdns., Manchester, 12.00
English China Clays, Hyde Park Hotel, Knightsbridge, [illegible], 12.00
Flexello Castors and Wheels, Holiday Inn, [illegible], 12.00
Lovell (Y. J.), Ironmongers' Hall, Aldersgate, E.C., [illegible]
Sidlaw Group, [illegible]
Yeoman [illegible]
Western Selection, 20-26 City Road, E.C., 12.00

BOARD MEETINGS—
Finals:
Birmid Qualcast
Interims:
Datron
[illegible]
Elbief
Estates Property Inv Co
Ransom (William)

DIVIDEND & INTEREST PAYMENTS—
Berkeley [illegible]
Chase Manhattan Cpn. 2000 $156.53
Devenish (J. A.) 2.15p
Exchequer 11pc 1990 5½pc
Johnson and Firth Brown 0.25p

### FRIDAY FEBRUARY 13

COMPANY MEETINGS—
Lee (Arthur) and Sons, Tapton Hall, Shore Lane, Sheffield, 12.30
Piccadilly Radio, 127-131 Piccadilly Plaza, Manchester, 12.00
Yorkshire Television, Queens Hotel, City Square, Leeds, 12.00

BOARD MEETINGS—
Finals:
G.T. Asia (Sterling) Fund
Interims:
Imperial Cont Gas
Second Consolidated Trust

DIVIDEND & INTEREST PAYMENTS—
Anderson Strathclyde [illegible]
Arbuthnot [illegible]
Bankers Trust [illegible]
Brunner [illegible]
Burton [illegible]
[illegible]
Consd. [illegible]
Fishguard [illegible]
Imperial [illegible]
Latham (James) [illegible]
M. and G. European and General [illegible]
Merrill Lynch [illegible]
Pilkington Bros. 6.5p
RHP [illegible]
Sandell [illegible]
Scottish Metro. [illegible]
Sidlaw Group 2.75p
Trinity [illegible]
Volex [illegible]
Wells Fargo 1997 $159.72

### SATURDAY FEBRUARY 14

DIVIDEND & INTEREST PAYMENTS—
Cohen (A.) 3.7p. Do. Non-Vtg. A 3.7p

### SUNDAY FEBRUARY 15

DIVIDEND & INTEREST PAYMENTS—
Abbott Labs. 21cts
African and European Invst. 6pcPf 0.93066p
Borg-Warner 25cts
Chase Manhattan [illegible]
Colgate-Palmolive 34cts
Greater London Council 6¾pc 1990-92 [illegible]
M. and G. Second Gen. Tst. 10.846p
Scottish Metro. Prop. 5¾pcUnsLn 1988-1993 [illegible]
Southwark Cpn. 12¾pc 1987 6⅜pc
TSB Gilt Fund 3p



## Trade fairs and exhibitions: UK

**February 10-11**
Computers in Tax Exhibition (0732 364422) — Bloomsbury Crest

**February 10-12**
Refrigeration and Air Conditioning Exhibition (01-688 7788) — Wembley Exhibition Hall

**February 12-15**
Crufts Dog Show (01-493 7838) — Earls Court

**February 14-22**
Boat, Caravan and Leisure Show (021-236 3366) — NEC, Birmingham

**February 15-17**
International Automotive Parts and Accessories Trade Show (01-855 7777) — Olympia

**February 17-20**
The Which Computer? Show (01-388 9871) — NEC, Birmingham

**February 22-24**
London Pret Exhibition (01-385 1200); International Men's and Boys' Wear Exhibition (021-705 6707); Junior Fashion Fair International (01-636 1833) — All at Olympia

**February 25-26**
Measurement and Test Exhibition — INSTRUMENTATION (0822 4671) — Harrogate

**February 27-28**
Cash and Carry Fashion Fair (01-727 1929) — Kensington Town Hall

**March 3-4**
USM Exhibition (01-493 0000) — Royal Kensington Hotel, W8

**March 3-5**
Business Telecom Exhibition (01-868 4466) — Barbican Centre

**March 4-6**
Computers in Clothing Exhibition (01-467 7728) — Harrogate

**March 7-8**
British Chemists Exhibition—BRITCHEM (01- 444 1777) — NEC, Birmingham

### Overseas

**February 21-25**
International Fair for Shopfitting, Advertising and Selling —EUROSHOP (01-493 3893) — Dusseldorf

**February 21-25**
Spring Fair (01-734 0543) — Frankfurt

**February 25-March 3**
International Fairs: Food; Materials Handling and Warehousing; Packaging and Printing (021-455 9600) — Brno

**March 8-11**
Winter Sports Equipment Exhibition (01-439 3964) — Grenoble

**March 9-14**
International Innovation Exhibition (01-439 3964) — Paris

**March 15-21**
International Spring Fair (01-248 7013) — Leipzig

**March 26-29**
International Spring Trade Fair (01-977 4551) — Vienna

## Business and Management Conferences

**February 10**
Longman Seminars: Film and television production — evaluation and management of risk (01-242 4111) — Barbican Centre, EC2

**February 17**
Longman Seminars: Will drafting and inheritance tax (01-242 4111) — Barbican Centre, EC2

**February 17**
Information for Energy Group: Oil price information (01-636 1004) — 61, New Cavendish Street, W1

**February 17**
Financial Times: The London Motor Conference — Manufacturing, Components and the Aftermarket (01-621 1355) — Marriott Hotel, W1

**February 17-18**
Crown Eagle Communications: UK Government contracting (01-242 4111) — Selfridge Hotel, W1

**February 17-19**
IRRG: The London Insurance market — the way forward (01-236 2175) — The Royal Garden Hotel, W8

**February 18-19**
Financial Times: Cable television and satellite broadcasting (01-621 1355) — Hotel Inter-Continental, W1

**February 18**
CBI: Energy for business (Cardiff 32536) — Parkway Hotel, Cwmbran

**February 19**
CBI: Look Nordic (01-379 7400) — Centre Point, WC1

**February 23**
Longman Seminars: Process industries and the environment: risk and regulations (01-242 4111). — Glaziers' Hall, SE1

**February 24-26**
Management Training Consultants: Successful managers in action (Leicester 27062) — Leicester

**February 24-26**
Frost and Sullivan: Computer performance measurement applied to complex and shared disk environments (01-730 3438) — Carlton Tower, W1

**February 25-26**
McAvoy Wreford Bayley: Eighth Annual Corporate Communications and Advertising Conference (01-730 4500) — Park Lane Hotel, W1

**February 26**
Tolley Publishing Company: Acquiring a private company (01-686 9141) — Marriott Hotel, W1

**March 4**
The Royal Institute of International Affairs: Korea and the UK: a broadening relationship (01-930 2233) — Chatham House, SW1

**March 4**
CBI: Don't forget Aunt Agatha—keep your small shareholders informed (01-379 7400) — Centre Point, WC1

**March 6**
Longman Seminars: Pension Fund Surpluses (01-242 4111) — London Press Centre

**March 11**
City Dialogue: Financial engineering in property (01-937 1548) — Savoy Hotel, WC2

**March 16**
Campaign / Admap seminars: Monitoring advertising performance—the annual review of the best practice (01-379 6576) — Cavendish Conference Centre, W1

*Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published*

# WORLD STOCK MARKETS

## AUSTRIA

## BELGIUM/LUXEMBOURG

## DENMARK

## FINLAND

## NORWAY

## SWITZERLAND

## HONG KONG

## GERMANY

## FRANCE

## SOUTH AFRICA

## SINGAPORE

## AUSTRALIA

## NETHERLANDS

## ITALY

## SWEDEN

## JAPAN

## SPAIN

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Schillings.

## CANADA

### TORONTO

*Closing prices February 6*

### MONTREAL

*Closing prices February 6*

Total Sales 9,902,278 shares

## OVER-THE-COUNTER

*Nasdaq national market, closing prices, February 6*

Continued from Page 27

## NEW YORK

## INDICES

### Indices

DIVIDEND YIELDS

TRADING ACTIVITY

## CANADA

### NEW YORK ACTIVE STOCKS

** Saturday January 31: Japan Nikkei 20,023.5, TSE 1758.34.

*Closing prices, February 6*

# NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

| 12 Month High | 12 Month Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 29⅞ | 17½ | AAR s | .50 | 1.7 | 21 | 42 | 29¼ | 29 | 29⅛ | −¼ |
| 32¾ | 21⅞ | ADT | .92 | 2.9 | | 227 | 32 | 31⅝ | 31⅝ | −½ |
| 38½ | 17⅞ | AFG s | .12i | .3 | 11 | 75 | 37⅝ | 37⅛ | 37⅜ | −⅜ |
| 37 | 18¾ | AGS | | | 21 | 106 | 35¾ | 35 | 35⅛ | −⅜ |
| 15 | 6¾ | AMCA | | | | 32 | 8 | 7¾ | 8 | +⅛ |
| 62⅞ | 46¾ | AMR | | | 13 | 3188 | 59⅛ | 58¼ | 58⅝ | +⅜ |
| 27½ | 24 | ANR pf | 2.67 | 10. | | 2 | 26½ | 26¼ | 26½ | |
| 24¾ | 20⅝ | ANR pf | 2.12 | 8.7 | | 1 | 24¼ | 24¼ | 24¼ | |
| 16½ | 10 | ARX | .71i | 5.8 | 12 | 141 | 12½ | 12 | 12¼ | −⅛ |
| 42⅞ | 28¾ | ASA | 2a | 4.9 | | 641 | 41¼ | 40⅝ | 41⅛ | +½ |
| 18⅝ | 9¾ | AVX | | 2.0 | | 79 | 16 | 15¾ | 15¾ | −¼ |
| 32 | 26 | AZP | 2.72 | 8.8 | 10 | 4314 | 31¼ | 30¾ | 30¾ | −⅜ |
| 59¾ | 33 | AbtLb s | .84 | 1.4 | 25 | 3920 | 59¼ | 58 | 58¾ | −½ |
| 32 | 25 | AccoWd | .62 | 2.0 | 19 | 260 | 30¼ | 30⅛ | 30¼ | +⅛ |
| 14⅛ | 8 | AcmeC | .40 | 3.0 | 25 | 212 | 13⅝ | 13¼ | 13½ | +⅛ |
| 9¼ | 6⅛ | AcmeE | .32b | 4.0 | 28 | 15 | 8⅛ | 8 | 8 | −¼ |
| 23⅞ | 17½ | AdaEx | 3.42e | 15. | | 181 | 22⅝ | 22¼ | 22½ | |
| 16¾ | 9¾ | AdmM s | .24 | 1.5 | | 61 | 16⅝ | 16⅛ | 16⅛ | −⅜ |
| 20⅝ | 12⅛ | AdvSys | .62i | 3.2 | 16 | 207 | 19½ | 19⅜ | 19⅝ | +¼ |
| 32⅞ | 12⅞ | AMD | | | | 7670 | 23 | 22¼ | 22¼ | −¾ |
| 11⅝ | 5¼ | Adobe | | | | 386 | 8⅝ | 8⅜ | 8⅝ | −⅛ |
| 18½ | 13¾ | Adob pf | 1.84 | 9.7 | | 80 | u19 | 18⅝ | 19 | +¾ |
| 21¼ | 16⅜ | Adob pf | 2.40 | 11. | | 25 | u21½ | 21 | 21½ | +⅜ |
| 18⅝ | 11½ | Advest | .12a | .9 | 11 | 1011 | 13¾ | 13¼ | 13½ | −⅛ |
| 66¼ | 53 | AetnLf | 2.64 | 4.2 | 9 | 5621 | 62⅞ | 62⅛ | 62⅝ | +¾ |
| 54⅝ | 51⅛ | AetL pf | 3.94e | 7.5 | | 7 | 52¾ | 52¾ | 52¾ | +¼ |
| 45¾ | 16⅞ | AfilPb s | .32 | .7 | 43 | 414 | 45 | 43¾ | 44¼ | −½ |
| 28¾ | 18⅞ | Ahmnss | .88 | 3.6 | 8 | 1749 | 25 | 24 | 24¼ | +½ |
| 5¾ | 2⅞ | Aileen | | | | 55 | 4 | 4 | 4 | +⅛ |
| 46¾ | 29⅞ | AirPrd s | .80 | 1.8 | 371 | 2223 | 46⅝ | 44½ | 44½ | −1⅝ |
| 35⅛ | 16 | AirbFrt | .60 | 1.7 | 16 | 387 | u35¼ | 34¾ | 35 | +⅛ |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Continued on Page 27

# NYSE COMPOSITE CLOSING PRICES

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| Continued from Page 26 | | | | | | | | | | |
| 77 5/8 | 48 7/8 | Pennzo 2.20 | | 3.0 | 58 | 379 | 75 | 74 | 74 1/4 | -1/2 |
| 26 3/4 | 18 7/8 | PeopEn 1.44 | | 5.7 | 11 | 412 | 25 1/4 | 24 3/4 | 25 1/4 | |
| 48 1/4 | 28 1/4 | PepBoy .22 | | .5 | 32 | 157 | 47 7/8 | 47 1/4 | 47 3/4 | +5/8 |
| 35 5/8 | 23 | PepsiCo .64 | | 2.0 | 18 | 8675 | 32 3/8 | 31 1/4 | 31 1/2 | -3/4 |
| 13 1/8 | 10 5/8 | PerkF n.25e | | 2.0 | | 149 | 12 5/8 | 12 1/4 | 12 5/8 | +1/8 |
| 36 7/8 | 23 1/8 | PerkEl .60 | | 1.8 | 22 | 783 | 34 1/8 | 33 5/8 | 33 7/8 | -1/4 |
| 7 5/8 | 5 1/2 | Prmian .55e | | 7.2 | 7 | 1086 | 7 5/8 | 7 1/2 | 7 5/8 | +1/8 |
| 20 7/8 | 12 | PeryDr .22 | | 1.7 | 22 | 142 | 13 3/8 | 13 1/4 | 13 1/4 | -3/8 |
| 35 3/4 | 23 3/4 | Petrie .70 | | 2.4 | 17 | 1314 | 29 1/8 | 28 5/8 | 28 3/4 | |
| 33 | 23 3/4 | PetRs 2.57e | | 8.0 | | 32 | 32 1/4 | 32 | 32 1/4 | |
| 20 | 18 | PetRs pf1.57 | | 8.3 | | 54 | 19 | 18 3/4 | 19 | +1/8 |
| 3 | 1 | PtrInv | | | | 917 | 1 1/8 | 1 | 1 1/8 | -1/8 |
| 72 7/8 | 48 1/8 | Pfizer 1.80 | | 2.6 | 17 | 3045 | 69 1/4 | 68 3/8 | 68 7/8 | +1/8 |
| 32 1/2 | 16 | PhelpD | | | 26 | 2904 | 27 1/8 | 26 | 27 1/8 | +1 1/4 |
| 63 | 48 3/4 | Phelp pr 5 | | 8.5 | | 80 | 58 3/4 | 58 | 58 3/4 | +7/8 |
| 26 | 17 1/8 | PhilaEl 2.20 | | 8.6 | 10 | 6697 | 25 5/8 | 25 1/4 | 25 1/2 | +1/4 |
| 43 1/2 | 31 1/2 | PhE pfA3.80 | | 8.8 | | z500 | 43 | 42 1/2 | 43 | +3/4 |
| 48 | 36 | PhE pfC4.40 | | 9.5 | | z500 | 47 1/8 | 46 1/4 | 46 1/4 | -1 3/4 |
| 52 1/8 | 38 1/2 | PhE pfD4.68 | | 9.0 | | z210 | 52 1/8 | 52 1/8 | 52 1/8 | -1/8 |
| 96 3/4 | 70 1/4 | PhE pfG8.75 | | 9.2 | | z280 | 95 3/4 | 95 1/2 | 95 1/2 | -1/2 |
| 105 1/2 | 100 1/2 | PhE pfS9.50 | | 9.1 | | z5000 | 104 5/8 | 104 5/8 | 104 5/8 | +5/8 |
| 13 7/8 | 11 1/2 | PhE pfR1.41 | | 10. | | 40 | 13 5/8 | 13 1/4 | 13 1/2 | -1/8 |
| 13 1/4 | 10 7/8 | PhE pfP1.33 | | 10 | | 32 | 13 1/4 | 12 5/8 | 12 3/4 | |
| 12 7/8 | 10 3/8 | PhE pfO1.28 | | 10. | | 64 | 12 3/4 | 12 1/8 | 12 1/4 | |
| 134 1/4 | 122 1/2 | PhE pfN17.13 | | 13. | | z340 | 129 1/8 | 129 | 129 | -1/8 |
| 124 | 112 | PhE pfM15.25 | | 13 | | z450 | 119 3/4 | 118 1/2 | 119 3/4 | +3/4 |
| 104 1/8 | 88 | PhE pfL9.52 | | 9.3 | | z100 | 102 | 102 | 102 | |
| 103 | 77 3/4 | PhE pfK9.50 | | 9.4 | | z300 | 100 7/8 | 100 7/8 | 100 7/8 | +1/8 |
| 82 | 62 7/8 | PhE pf7.75 | | 9.3 | | z190 | u83 | 83 | 83 | +1 1/2 |
| 19 3/4 | 12 5/8 | PhilSb s .94 | | 5.3 | 14 | 74 | 17 3/4 | 17 1/2 | 17 3/4 | |
| 91 1/4 | 47 3/8 | PhilMr s 3 | | 3.4 | 14 | 5799 | 88 | 86 1/2 | 87 1/8 | -5/8 |
| 20 3/4 | 13 | Philpl s .36 | | 1.8 | 17 | 795 | 20 | 19 1/2 | 19 3/4 | -1/8 |
| 14 1/8 | 8 1/4 | PhilPet .60 | | 4.4 | 15 | 18269 | 14 1/8 | 13 3/4 | 13 3/4 | -1/8 |
| [illegible] | | | | | | | | | | |
| 47 1/4 | 23 5/8 | SavE 1.34 | | 3.1 | | 5 | 43 1/2 | 43 1/2 | 43 1/2 | -1 |
| 14 1/2 | 11 1/2 | SavE pf1.28 | | 9.4 | | 17 | 13 7/8 | 13 5/8 | 13 5/8 | |
| 4 1/2 | 1 5/8 | Savin | | | | 116 | 2 1/4 | 2 1/8 | 2 1/4 | +1/8 |
| 6 1/2 | 3 1/8 | Savin pf | | | | 86 | 4 | 4 | 4 | |
| 42 7/8 | 28 3/4 | SCANA 2.32 | | 5.8 | 14 | 136 | 39 3/4 | 39 3/8 | 39 3/4 | |
| 10 | 6 1/8 | Schlr n | | | | 2 | 9 | 8 7/8 | 9 | |
| 91 | 60 3/4 | SchrPlo .80 | | 2.0 | 21 | 1011 | 91 | 89 3/8 | 90 | 1/2 |
| 39 5/8 | 27 1/4 | Schlmb 1.20 | | 3.0 | | 10679 | u39 3/4 | 38 1/2 | 39 1/2 | +3/4 |
| [illegible] | | | | | | | | | | |
| 17 1/2 | 11 | WyleLb .32 | | 2.0 | 35 | 430 | 16 1/8 | 16 | 16 1/4 | -1/4 |
| 25 3/4 | 15 3/4 | Wynns .60 | | 2.8 | 13 | 18 | 21 3/4 | 21 1/2 | 21 3/4 | +1/8 |
| X Y Z | | | | | | | | | | |
| 72 1/4 | 46 3/8 | Xerox 3 | | 4.4 | 18 | 3819 | 68 3/4 | 67 1/2 | 68 3/4 | +1/2 |
| 58 1/4 | 55 | Xerox pf5.45 | | 9.6 | | 61 | 56 3/4 | 56 3/8 | 56 3/4 | |
| 26 3/4 | 21 1/2 | XTRA .64 | | 2.2 | | 856 | 29 3/4 | 28 | 28 7/8 | +1 |
| 19 3/8 | 13 1/2 | Yorkis n | | | | 271 | 19 1/4 | 18 1/2 | 18 5/8 | +1/8 |
| 6 | 2 1/4 | Zapata | | | | 1269 | 4 1/8 | 3 7/8 | 4 | |
| 43 7/8 | 20 3/4 | Zayre s .32 | | 1.1 | 21 | x5909 | 29 3/4 | 28 3/8 | 28 3/4 | +1 1/4 |
| 17 | 9 3/4 | Zemex .40 | | 3.2 | 20 | 7 | 12 1/2 | 12 1/4 | 12 1/2 | +3/8 |
| 29 7/8 | 17 1/8 | ZenithE | | | | 4274 | 23 3/8 | 22 3/8 | 22 7/8 | +5/8 |
| 18 1/4 | 8 | ZenLb s | | | 56 | 936 | 9 1/4 | 8 7/8 | 9 | |
| 22 5/8 | 12 5/8 | Zero s .28 | | 1.5 | 20 | 430 | 18 1/2 | 18 | 18 1/2 | +3/4 |
| 45 3/4 | 32 3/4 | Zurnin 1.32 | | 3.1 | 17 | 135 | 42 3/4 | 42 1/8 | 42 5/8 | |
| 10 3/8 | 8 1/4 | Zweig n.10e | | 1.1 | | 809 | 9 3/8 | 9 1/4 | 9 3/8 | |

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in-full. yld-yield. z-sales in full.

# AMEX COMPOSITE CLOSING PRICES

Closing prices February 6

[illegible]

# OVER-THE-COUNTER

*Nasdaq national market, closing prices, February 6*

[illegible]

Continued on Page 25

# CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

## Dollar may be set for period of consolidation

BY COLIN MILLHAM

DOLLAR BEARS showed signs of losing heart last week, as the US currency was supported by a succession of encouraging news. This week's figures from Washington include January retail sales, which are expected to fall by 4.5 per cent according to Money Market Services. But this figure on Thursday, followed by December business inventories and the January producer price index on Friday, are unlikely to have as much impact as data produced over the past week or so.

The improvement in the dollar's fortunes began with the much better than expected US December trade deficit of $10.7bn, announced on January 30. This may not have been sustained however, but for the news on leading indicators on Tuesday and employment trends of Friday.

US leading indicators rose 2.1 per cent in December, compared with market estimates of around 1.4 per cent, and a revised November gain of 0.9 per cent. The increase in December was the biggest for any month since January 1983.

Also on Tuesday it was announced that December US factory orders rose 1.2 per cent, but excluding defence orders the increase was 4.4 per cent, the largest since April 1978. At about the same time there was news that December home sales rose 12.7 per cent, adding to the improved undertone.

The other encouraging news about the US economy was a surprisingly large rise of 448,000 in non-farm employment in January. Most forecasts were in the region of 210,000 to 250,000. As expected the unemployment level remained at 6.7 per cent.

The rise in the non-farm payroll was the biggest since February 1984, but special factors contributed to the gain. Most of the work created was in the retail and construction sectors, which benefited from warmer weather. Employment in the manufacturing sector rose only 3,000.

It was suggested that the US authorities were worried about a fall in the value of the dollar when the Treasury was auctioning $29bn in notes and bonds last week. Mr Satoshi Sumita, Governor of the Bank of Japan, had warned about the implications of the weaker dollar for the flow of Japanese capital into the US, but perhaps investors were more relaxed than had been feared. At the beginning of the week Japanese demand for the $9.25bn in 30-year Treasury bonds, to be sold Tuesday, was expected to be no more than 15 per cent, but in the event it appears Japanese investors took 30 per cent to 50 per cent of the stock.

The dollar's recovery was also based on indications that Mr James Baker, US Treasury Secretary, and Mr Paul Volcker, Chairman of the Federal Reserve Board, agree the dollar's decline has gone far enough.

Another factor was speculation about a possible Group of Five meeting in the near future, to discuss currency problems, and expectations of a cut in the Japanese discount rate.

After the rise to around DM 1.88, on the December trade figures, it became clear the dollar was far enough above the recent trading low of DM 1.77 to worry the bears in the market, but that it would have to climb to DM 1.91 before breaking into a higher trading range.

Friday's close of DM 1.8560 in London gave few clues about the medium term direction of the dollar, and it will take a decisive trend to move it outside the range of DM 1.80 to DM 1.90. Unless this week produces some unexpected news the dollar seems likely to be in for a short period of consolidation.

### £ IN NEW YORK

| Feb 6 | Close | Previous Close |
|---|---|---|
| £ Spot | 1.5070-1.5080 | 1.5185-1.5195 |
| 1 month | 0.57-0.56 pm | 0.57-0.56 pm |
| 3 months | 1.69-1.66 pm | 1.73-1.70 pm |
| 12 months | 5.98-5.88 pm | 6.09-5.99 pm |

Forward premiums and discounts apply to the U.S. dollar.

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu central rates | Currency amounts against Ecu February 6 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | 42.4582 | 42.7075 | +0.59 | +0.59 | ± 1.5344 |
| Danish Krone | 7.85212 | 7.80912 | −0.55 | −0.55 | ± 1.6404 |
| German D-Mark | 2.05853 | 2.06611 | +0.37 | +0.37 | ± 1.0981 |
| French Franc | 6.90403 | 6.88081 | −0.34 | −0.34 | ± 1.3674 |
| Dutch Guilder | 2.31943 | 2.33085 | +0.49 | +0.49 | ± 1.5012 |
| Irish Punt | 0.768411 | 0.774416 | +0.78 | +0.78 | ± 1.6684 |
| Italian Lira | 1483.58 | 1468.37 | −1.03 | −1.03 | ± 4.0752 |

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

### LIFFE £/$ OPTIONS
£25,000 (cents per £1)

| Strike Price | Calls—Last Feb. | Mar. | Apr. | June | Puts—Last Feb. | Mar. | Apr. | June |
|---|---|---|---|---|---|---|---|---|
| 1.30 | 20.90 | 20.90 | — | 20.90 | 0.00 | 0.00 | — | 0.21 |
| 1.35 | 15.90 | 15.90 | — | 15.90 | 0.00 | 0.00 | — | 0.63 |
| 1.40 | 10.90 | 10.90 | 10.90 | 10.90 | 0.00 | 0.04 | 0.26 | 1.51 |
| 1.45 | 5.90 | 5.90 | 5.90 | 6.69 | 0.00 | 0.56 | 1.09 | 3.09 |
| 1.50 | 1.41 | 2.15 | 2.72 | 3.54 | 0.65 | 1.95 | 3.04 | 4.94 |
| 1.55 | 0.05 | 0.54 | 1.01 | 2.29 | 4.29 | 5.34 | 6.33 | 8.69 |
| 1.60 | 0.00 | 0.08 | 0.28 | 1.18 | 9.24 | 9.88 | 10.60 | 12.58 |

Estimated volume total, Calls 20 Puts 0
Previous day's open int, Calls 1,275 Puts 1,706

### LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

| Strike Price | Calls—Last Feb. | Mar. | April | June | Puts—Last Feb. | Mar. | April | June |
|---|---|---|---|---|---|---|---|---|
| 1.35 | 15.70 | 15.70 | — | 13.90 | 0.25 | 0.25 | — | 0.80 |
| 1.40 | 11.30 | 11.30 | 11.30 | 12.40 | 0.30 | 0.30 | 0.40 | 1.30 |
| 1.45 | 6.40 | 6.40 | 6.45 | 7.70 | 0.30 | 0.65 | 1.10 | 2.10 |
| 1.50 | 1.80 | 2.80 | 3.00 | 4.40 | 0.80 | 1.70 | 2.60 | 4.90 |
| 1.55 | 0.30 | 0.95 | 1.15 | 2.25 | 3.40 | 5.60 | 5.50 | 7.20 |
| 1.60 | 0.30 | 0.35 | 0.40 | 1.20 | 8.00 | 8.90 | 9.60 | 11.10 |
| 1.65 | — | 1.50 | — | 1.90 | — | 20.20 | — | 21.40 |

Previous day's open int: Calls 545 Puts 554
Volume: —

### STERLING INDEX

| | Feb. 6 | Previous |
|---|---|---|
| 8.30 am | 69.0 | 68.6 |
| 9.00 am | 69.0 | 68.6 |
| 10.00 am | 68.9 | 68.6 |
| 11.00 am | 69.0 | 68.7 |
| Noon | 68.9 | 68.7 |
| 1.00 pm | 69.0 | 68.7 |
| 2.00 pm | 68.8 | 68.7 |
| 3.00 pm | 68.8 | 68.7 |
| 4.00 pm | 68.8 | 68.8 |

### CURRENCY MOVEMENTS

| February 6 | Bank of England Index | Morgan Guaranty Changes % |
|---|---|---|
| Sterling | 68.8 | −25.2 |
| U.S. Dollar | 104.9 | −2.3 |
| Canadian Dollar | 78.7 | −10.2 |
| Austrian Schilling | 136.3 | +10.5 |
| Belgian Franc | 100.4 | −3.6 |
| Danish Krone | 93.1 | +4.2 |
| Deutsche Mark | 147.4 | +22.2 |
| Swiss Franc | 170.0 | +31.2 |
| Guilder | 134.5 | +14.7 |
| French Franc | 71.9 | −12.4 |
| Lira | 48.3 | −16.2 |
| Yen | 209.6 | +56.3 |

Morgan Guaranty changes average 1980-1982=100. Bank of England Index (Base average 1975=100).

### CURRENCY RATES

| Feb. 6 | Bank rate % | Special Drawing Rights | European Currency Unit |
|---|---|---|---|
| Sterling | — | 0.829041 | 0.735682 |
| U.S. Dollar | 5.5 | 1.25235 | 1.11051 |
| Canadian $ | 8.20 | * | 1.48587 |
| Austrian Sch. | 4 | 16.3369 | 14.5277 |
| Belgian Franc | 8½ | 48.1153 | 42.7075 |

Long-term Eurodollars: Two years 6⅜-6½ per cent; three years 6¹³⁄₁₆-7 per cent; four years 7⅛-7½ per cent; five years 7⅜-7⅝ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

### POUND SPOT—FORWARD AGAINST THE POUND

| Feb. 6 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.5010-1.5150 | 1.5080-1.5090 | 0.58-0.55 c pm | 4.49 | 1.71-1.66 pm | 4.47 |
| Canada | 2.0090-2.0210 | 2.0145-2.0155 | 0.58-0.49 c pm | 3.19 | 1.69-1.54 pm | 3.21 |
| Neth'lands | 3.15-3.17¼ | 3.15-3.16 | 1½-1¼ c pm | 5.23 | 4⅛-4⅛ pm | 5.39 |
| Belgium | 57.76-58.16 | 57.90-58.00 | 15-11 c pm | 2.60 | 43-36 pm | 2.64 |
| Denmark | 10.55½-10.65 | 10.56½-10.57½ | ⅜ pm-¼ ore dis | 0.07 | 1-¼ dis | 0.24 |
| Ireland | 1.0440-1.0560 | 1.0500-1.0510 | 0.20-0.35 p dis | −3.14 | 0.60-0.90 dis | −2.86 |
| W. Germany | 2.78¼-2.81½ | 2.79½-2.80½ | 1⅜-1⅜ pf pm | 6.43 | 4⅝-4½ pm | 6.52 |
| Portugal | 210.31-216.99 | 216.00-216.90 | 112-221c dis | −9.23 | 240-471 dis | −6.57 |
| Spain | 194.94-197.26 | 196.35-196.95 | 16-47 c dis | −1.92 | 60-98 dis | −1.61 |
| Italy | 1986½-2001½ | 1987½-1988½ | 2 pm-1 lire dis | 0.30 | 3- par pm | 0.30 |
| Norway | 10.67½-10.74 | 10.69¼-10.70¼ | 2¾-3⅝ ore dis | −3.57 | 9⅝-10½ dis | −3.76 |
| France | 9.31-9.36¼ | 9.31¼-9.32¼ | 1¾-1⅛ c pm | 2.25 | 4¾-4⅜ pm | 1.98 |
| Sweden | 9.90¼-9.96 | 9.91¼-9.92¼ | ¼ pm-¼ ore dis | — | 1⅛-⅝ pm | 0.43 |
| Japan | 232¼-233½ | 232½-233½ | 1¼-1⅛ y pm | 6.12 | 3⅞-3¼ pm | 6.55 |
| Austria | 19.47-19.75 | 19.71-19.75 | 9¼-8⅝ gro pm | 5.59 | 28¼-26½ pm | 5.60 |
| Switzerland | 2.35¼-2.37½ | 2.35½-2.36½ | 1½-1⅛ c pm | 7.31 | 4¼-4 pm | 6.99 |

Belgian rate is for convertible francs. Financial franc 58.55-58.65. Six-month forward dollar 3.16-3.11 c pm. 12-month 5.95-5.85 c pm.

### DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

| Feb. 6 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.5010-1.5150 | 1.5080-1.5090 | 0.58-0.55c pm | 4.49 | 1.71-1.66 pm | 4.47 |
| Ireland† | 1.4272-1.4442 | 1.4375-1.4385 | 0.91-0.81c pm | 7.15 | 2.72-1.65 pm | 6.06 |
| Canada | 1.3320-1.3400 | 1.3335-1.3345 | 0.13-0.16c dis | −1.30 | 0.40-0.45 dis | −1.27 |
| Netherlands | 2.0795-2.1085 | 2.0915-2.0925 | 0.14-0.11c pm | 0.72 | 0.50-0.45 pm | 0.91 |
| Belgium | 38.23-38.58 | 38.35-38.45 | 9½-7½c dis | −2.03 | 15-19 dis | −1.77 |
| Denmark | 6.99¼-7.06½ | 7.00½-7.01 | 2.15-3.05ore dis | −4.44 | 6.90-7.80 dis | −4.18 |
| Portugal | 143¼-144 | 143¼-143¾ | 110-180c dis | −12.10 | 320-420 dis | −10.29 |
| Spain | 129.95-131.30 | 130.40-130.50 | 60-70 c dis | −5.98 | 190-205 dis | −6.05 |
| Italy | 1309-1329 | 1317¼-1318¼ | 4-5 lire dis | −4.10 | 13¼-14¾ dis | −4.25 |
| Norway | 7.06-7.13¼ | 7.09¼-7.09¾ | 4.30-5.00 ore dis | −7.86 | 14.80-15.60dis | −8.56 |
| France | 6.15-6.22¼ | 6.17¼-6.18¼ | 1.10-1.30c dis | −2.33 | 3.75-4.15 dis | −2.55 |
| Sweden | 6.55¼-6.61¼ | 6.57¼-6.57¾ | 2.15-2.65 ore dis | −4.37 | 6.70-7.30 dis | −4.25 |
| Japan | 153.50-154.95 | 154.35-154.45 | 0.25-0.23y pm | 1.87 | 0.83-0.78 pm | 2.09 |
| Austria | 12.97½-13.14½ | 13.04¼-13.04¾ | 1.40-1.00gro pm | 1.10 | 4.00-3.00 pm | 1.07 |
| Switzerland | 1.5565-1.5775 | 1.5645-1.5655 | 0.37-0.32c pm | 2.64 | 1.05-1.00 pm | 2.61 |

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.80-38.90.

### FORWARD RATES AGAINST STERLING

| | Spot | 1 mth | 3 mths | 6 mths | 12 mths |
|---|---|---|---|---|---|
| US Dollar | 1.5085 | 1.5029 | 1.4917 | 1.4772 | 1.4495 |
| D-mark | 2.8000 | 2.7850 | 2.7547 | 2.7146 | 2.6376 |
| French Fr. | 9.3325 | 9.3049 | 9.2758 | 9.2448 | 9.1409 |
| Swiss Fr. | 2.3600 | 2.3462 | 2.3183 | 2.2807 | 2.2119 |
| Yen | 233.00 | 231.77 | 229.20 | 225.72 | 219.07 |

### LIFFE—STERLING £25,000 $ per £

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Mar. | 1.5020 | 1.5040 | 1.4990 | 1.5110 |
| June | 1.4860 | — | — | 1.4950 |
| Sept. | 1.4720 | — | — | 1.4800 |

Estimated volume 47 (15)
Previous day's open int 1,023 (1,023)

### SWISS FRANC (IMM)
SFr125,000 $ per SFr

| | Latest | High | Low | Prev. |
|---|---|---|---|---|
| Mar. | 0.6485 | 0.6504 | 0.6473 | 0.6555 |
| June | 0.6530 | 0.6545 | 0.6520 | 0.6598 |
| Sept. | 0.6578 | 0.6580 | 0.6580 | 0.6640 |

### STANDARD & POORS 500 INDEX
$500 times index

| | Latest | High | Low | Prev. |
|---|---|---|---|---|
| Mar. | 281.95 | 281.95 | 280.95 | 280.70 |
| June | 283.25 | 283.45 | 282.55 | 282.15 |
| Sept. | 284.25 | 284.40 | 283.35 | 283.35 |
| Dec. | 285.35 | 285.40 | — | 284.55 |

MONEY MARKETS

## Rate hopes look premature

**UK clearing bank base lending rate 11 per cent since October 15**

THE MOOD in London's financial markets became almost euphoric by the end of last week. The gilt market was extending a long bull run, and there was little surprise at the announcement of a tap stock on Friday afternoon. Equities showed no sign of being left behind, with the Financial Times ordinary index breaking through 1,500 for the first time.

On Friday the sterling interbank offered rate finished at under 11 per cent for the first time since October.

A fall below bank base rates was perhaps not as significant as it appeared at first glance. Last Wednesday the Union Discout Company announced a rise in group profit to £10.78m from £3.13m, largely because of falling interest rates in the first half of last year. But Mr Graeme Gilchrist, managing director of Union Discount, said he could see no economic justification for a cut in rates at present.

Equities were boosted by the general strength of world stock markets, but the improving tone elsewhere was based on the political view and speculation about lower UK interest rates.

Sterling's improvement also helped sentiment, with the pound rising back to DM 2.80, but only because of the recovery by the dollar. Barclays Bank said it was a classic case of sterling following the dollar up againt the crosses, while weakening against the dollar itself. The bank added that it should not be viewed as a fundamental recovery by the pound, with more to come.

This will not be lost on the Bank of England or the Government. The next general election may still be too far away for there to be any political value in cutting base rates, while the dangers of a sudden reversal because of a sterling crisis remain paramount.

### FT LONDON INTERBANK FIXING

| (11.00 a.m. Feb 6) 3 months U.S. dollars | | 6 months U.S. dollars | |
|---|---|---|---|
| bid 6 ¼ | offer 6 ⅜ | bid 6 ¼ | offer 6 ⅜ |

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

### MONEY RATES

NEW YORK (4 pm)

| | | Treasury Bills and Bonds | | | |
|---|---|---|---|---|---|
| Prime rate | 7½ | One month | 5.29 | Three year | 6.54 |
| Broker loan rate | 7¼ | Two month | 5.54 | Four year | 6.66 |
| Fed. funds | 6⅛ | Three month | 5.82 | Five year | 6.72 |
| Fed. funds at intervention | (-) | Six month | 5.67 | Seven year | 6.99 |
| | | One year | 5.92 | 10 year | 7.18 |
| | | Two year | 6.38 | 20 year | 7.46 |

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

LONDON MONEY RATES

EXCHANGE CROSS RATES

EURO-CURRENCY INTEREST RATES

OTHER CURRENCIES

CURRENCY FUTURES

CHICAGO

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures r Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‡‡ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▮ Allotment price. ● Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.



TENDERS MUST BE LODGED AT THE BANK OF ENGLAND, NEW ISSUES (O), WATLING STREET, LONDON, EC4M 9AA NOT LATER THAN 10.00 A.M. ON WEDNESDAY, 11TH FEBRUARY 1987, OR AT ANY OF THE BRANCHES OF THE BANK OF ENGLAND OR AT THE GLASGOW AGENCY OF THE BANK OF ENGLAND NOT LATER THAN 3.30 P.M. ON TUESDAY, 10TH FEBRUARY 1987.

ISSUE OF £1,000,000,000

## 9 per cent Treasury Loan, 2008

MINIMUM TENDER PRICE £94.50 PER CENT

PAYABLE AS FOLLOWS:

| | |
|---|---|
| *Deposit with tender* | *£25.00 per cent* |
| On Monday, 6th April 1987 | Balance of purchase money |

INTEREST PAYABLE HALF-YEARLY ON 13TH APRIL AND 13TH OCTOBER

*This Loan is an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961 subject as regards securities payable to bearer to the provisions of Section 7 of the Trustee Act 1925. Application has been made to the Council of The Stock Exchange for the Loan to be admitted to the Official List.*

1. THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND are authorised to receive tenders for £800,000,000 of the above Loan; the balance of £200,000,000 has been reserved for the National Debt Commissioners for public funds under their management.

2. The principal of and interest on the Loan will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.

3. The Loan will be repaid at par on 13th October 2008.

4. The Loan will be issued in the form of stock which will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Stock registered at the Bank of England held for the account of members of the Central Gilts Office Service will also be transferable, in multiples of one penny, by exempt transfer in accordance with the Stock Transfer Act 1982 and the relevant subordinate legislation. Transfers will be free of stamp duty.

5. On or after 13th October 1987 stock may be exchanged into bonds to bearer which will be available in denominations of £100, £200, £500, £1,000, £5,000, £10,000 and £50,000. Bonds will be free of stamp duty.

6. Stock will be interchangeable with bonds without payment of any fee.

7. Interest will be payable half-yearly on 13th April and 13th October. The first interest payment will be made on 13th October 1987 at the rate of £5.0372 per £100 of the Loan. Warrants for interest on stock will be transmitted by post: income tax will be deducted from payments of more than £5 per annum. Interest on bonds to bearer, less income tax, will be paid by coupon.

8. Stock and bonds of this issue and the interest payable thereon will be exempt from all United Kingdom taxation, present or future, so long as it is shown that the stock or bonds are in the beneficial ownership of persons who are neither domiciled nor ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

9. Further, the interest payable on stock or bonds of this issue will be exempt from United Kingdom income tax, present or future, so long as it is shown that the stock or bonds are in the beneficial ownership of persons who are not ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

20. Letters of allotment may be split into denominations of multiples of £100 on written request received by the Bank of England, New Issues, Watling Street, London, EC4M 9AA on any date not later than 2nd April 1987. Such requests must be signed and must be accompanied by the letters of allotment.

21. Members of the Central Gilts Office Service may, subject to the provisions of the agreement governing their membership of that Service, surrender a partly-paid letter of allotment to the Central Gilts Office for cancellation and for the amount of the Loan comprised therein to be credited to the member's account. The member who is shown by the accounts of the Central Gilts Office as being entitled to any amount of the Loan shall, to the exclusion of all persons previously entitled to such Loan and any person claiming any entitlement thereto, both be treated as entitled to such Loan as if that member were the holder of a letter of allotment and be liable for the payment of any amount due in respect of such Loan.

... explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, this Loan is issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND
LONDON

6th February 1987

THIS FORM MAY BE USED
TENDER FORM

*This form must be lodged at the Bank of England, New Issues (O), Watling Street, London, EC4M 9AA not later than 10.00 A.M. ON WEDNESDAY, 11TH FEBRUARY 1987, or at any of the Branches of the Bank of England or at the Glasgow Agency of the Bank of England not later than 3.30 P.M. ON TUESDAY, 10TH FEBRUARY 1987.*

ISSUE OF £1,000,000,000

## 9 per cent Treasury Loan, 2008

MINIMUM TENDER PRICE £94.50 PER CENT

TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND

I/We tender in accordance with the terms of the prospectus dated 6th February 1987 as follows.—

Amount of the above-mentioned Loan tendered for, being a minimum of £100 and in a multiple as follows:—

| Amount of the Loan tendered for | Multiple |
|---|---|
| £100—£1,000 | £100 |
| £1,000—£3,000 | £500 |
| £3,000—£10,000 | £1,000 |
| £10,000—£50,000 | £5,000 |
| £50,000 or greater | £25,000 |

1. NOMINAL AMOUNT OF THE LOAN £

Amount of deposit enclosed, being £25.00 for every £100 of the NOMINAL amount of the Loan tendered for (shown in Box 1 above):—

2. AMOUNT OF DEPOSIT (a) £

The price tendered per £100 of the Loan, being a multiple of 5p and not less than the minimum tender price of £94.50:—

3. TENDER PRICE (b) £ : p

I/We hereby engage to pay the balance of the purchase money when it becomes due on any allotment that may be made in respect of the tender, as provided by the said prospectus.

I/We request that any letter of allotment in respect of the amount of the Loan allotted to me/us be sent by post at my/our risk to me/us at the address shown below.

February 1987

SIGNATURE
of, or on behalf of, tenderer

PLEASE USE BLOCK LETTERS

| MR/MRS | FORENAME(S) IN FULL | SURNAME |
|---|---|---|
| | | |

FULL POSTAL ADDRESS

POST TOWN | COUNTY | POSTCODE

# FINANCIAL TIMES SURVEY

# Vehicle Fleet Management

Companies are giving greater freedom of choice to managers and other staff, which car makers are eager to meet. There has been a decline in fleets bought outright and a marked swing to contract hire.

## Vital say of user-chooser

By Kenneth Gooding
*Motor Industry Correspondent*

BRITAIN'S BIG fleets bought 471,000 new cars last year, valued at about £3.3bn if you take a conservative average cost of £7,000 each. While the total car market raced to record heights, the fleet sector remained relatively stable and demand was only 1.33 per cent above the 1985 level.

But fleet car purchases are expected to be given a greater boost this year as the UK economy is encouraged by the government to put on a spurt in the run-up to a general election.

Mr Roger Humm, Ford of Britain's managing director, reckons that fleet car sales could reach 500,000 in 1987, representing a healthy 6 per cent growth rate.

What other trends can be expected in the fleet sector?

The latest edition of Monks Guide to Company Car Policy,* soon to be published, will show that companies are giving greater freedom of choice to those entitled to a "perk" car—not only at senior management level but at lower levels as well.

This does not mean that companies are behaving in a more free-and-easy way about company vehicles, however. The results show there has been considerable tightening of the rules about the provision of company petrol when cars are in private use.

Monks analysed the results from more than 200 companies and found there has been a decline in outright purchases of vehicles by the fleets. This method of acquisition was down by 2 per cent compared with 1985 when the number of companies was measured and by 3 per cent when measured by the number of vehicles bought.

The inquiry showed clearly the switch to contract hire, with the number of companies using contract hire up 4 per cent and the vehicle total up by 3 per cent. "Those who experimented with contract hire have in the last 12 months moved all their fleets to this method," says Mr Tony Vernon-Harcourt, one of the authors of the Monks report.

It can be argued that the move to greater freedom of choice will see more foreign cars in UK fleets. At senior management levels, for example, BMW and Mercedes are making substantial progress.

And the statistics go to show once again the importance of the so-called "user-chooser"—the employee who is allowed to select from a wide range of manufacturers' models within certain price bands—in the fleet market.

This point obviously has not been lost on the new regime at Austin Rover which this year intends to make better headway in the fleet sector.

Two weeks ago the state-owned company provided a first view of its revised marketing approach, instituted by new chairman Mr Graham Day, with the launch of two new versions of the Montego.

Austin Rover chose to start with the Montego because the company really must do better in the fleet market if it is to stop a precipitous decline in sales which saw its UK car market share fall from 17.7 per cent to 15.5 per cent last year.

The new Montegos were developed after one of the most extensive market research programmes ever carried out by the UK motor industry. The research covered the whole model range and "identified new marketing opportunities which are exemplified by the new Montegos." Austin Rover says.

The company promises similar changes will be made this year to other models in its car range. It claims the new Montego models are "very firmly targetted at both business and private buyers in the up-and-coming young-to-middle-age group wanting a sporting, distinctive and affordable motor car."

It is clear that the company now intends to place the marketing emphasis on specific models rather than on Austin Rover itself and the complete car range. The new models do not even carry the Austin name on the outside of the car, just the Montego badge.

Can the Montego do better in the fleets? Reliability problems in some early Montegos badly damaged the model's appeal to the fleets but Mr Neil Pykett, joint managing director of Interleasing, one of the major vehicle leasing organisations, insists: "Decision makers in the fleets are not against the car, it is the drivers. It has almost become fashionable to criticise the Montego and unfashionable to drive one.

"If Austin Rover can make the car more desirable to the driver, then the Montego certainly stands a good chance in the fleets."

Austin Rover is attempting to capture that desirability by giving the new Montego models—a new 1.6L and a 2.0Si—high levels of specification (including two-tone paint finish, a sunroof and a three-band electronic stereo radio/cassette player, all as standard) at very competitive prices.

In the big fleet sector—made up of cars registered by companies which buy more than 25 a year—Austin Rover just about held its ground in 1986 with a share of 14.37 per cent of the 470,995 sector total.

Ford increased its domination of the fleet sector, according to the Society of Motor Manufacturers and Traders' figures, by boosting its share from 44.95 per cent in 1985 to 47.77 per cent.

Ford's progress was mainly at the expense of General Motors, the Vauxhall-Opel concern, which slipped from 31.85 per cent to 27.72 per cent. All GM's fall was accounted for by a drop in sales of the Vauxhall Cavalier, its fleet best-seller.

The Cavalier transformed GM-Vauxhall's position in the UK car market and helped the company double its sales in Britain in six years. The timing of its introduction was perfect.

It was launched just before Britain's then best-selling car, the Ford Cortina, went out of production to be replaced by a very different vehicle, the Sierra, which met with a mixed reaction in the UK.

This provided GM with an unprecedented opportunity which it could not fail to take up. As it turned out, the Cavalier had a great deal of customer appeal—among other things it has front-wheel drive whereas the Sierra is rear-wheel-drive—and the fleets seized the chance to play two major car makers off against each other instead of having to deal with one, dominant group.

However, now the balance of power is swinging in Ford's favour. Every professional buyer knows that the Cavalier is to be replaced next year by an almost totally new model. The 1986 statistics show this knowledge already is beginning to affect the Cavalier.

Continued on next page

Large and small: the search to contain costs applies equally to the modest car and big truck.
*Trevor Humphries*

CONTENTS

Financing

# Closer eye kept on running costs

A STEADILY rising number of fleets are now operated on a contract hire basis, with varying degrees of control by the client. But companies which want to maintain full control are also turning to experts in fleet management.

Instead of contracting out all their requirements, they are keeping control of purchase and sale, funding that aspect of service and repair themselves.

A fleet management system helps to keep track of costs and even to compare them with a national average.

With up to 70 per cent of fleets still under total user control companies like Fletcher Computer Services in Birmingham have established computer-based management systems tailored especially for commercial vehicles, where there is still a preference for close control. Fletcher claims one sixth of the fleet management control market for its Fleetplan system.

Autolease, the BSG International vehicle leasing subsidiary, also offers a fleet management package, tailored towards the company car fleet.

There is an element of pride among independent road hauliers in keeping control, according to Mr Robert Ward, Midland manager of the Road Haulage Association.

Many feel they have good reasons, particularly if their fleets are mainly or totally composed of special vehicles to suit their needs, such as chemical tankers and brewers drays.

This is not so evident among distribution based companies using standard vehicles.

Last year BRS Midlands saw a record growth in its contract hire fleet from 638 to 800.

The company operates in Birmingham, Coventry, Oldbury, Walsall and Wolverhampton, and companies like Mothercare, Taunton Cider, Swan Housewares, British Alcan and Palethorpes signed deals with BRS.

Mr Philip Barnett is one of thousands of managers who is responsible for a mixed fleet of cars, light commercials and heavy goods vehicles.

He is transport manager for Wolverhampton and Dudley Breweries, one of the major regional brewers located at Wolverhampton in the West Midlands.

His fleet has 57 HGVs which operate as delivery drays and trunkers to the company's 870 tied houses and more than 1,000 free trade outlets, scattered between Manchester, the Welsh Coast and Bristol, but heavily concentrated in the industrial West Midlands.

The company has 197 cars and light commercials for managers, salesmen and repair and maintenance staff. The whole fleet is owned and operated by the company.

Mr Barnett said that he was besieged by salesmen for contract hire groups, brandishing a pile of leaflets from his desk and one group's promotional video.

"But we have looked at our costs compared with theirs and we come out cheaper," he said.

The deregulation of bus transport last October provided a new range of customers.

Mr Davis said that Fleetplan has developed a package specially for operators of minibuses, with ten clients including Birmingham Community Transport and Midland Red North, and another 15 in prospect.

The move towards fleet management systems has grown with the escalating cost of operating vehicles of all types.

Mr Davis said that even when inflation was at its highest in the 1970s transport costs were exceeding the national average.

In the early 1980s these costs were still exceeding the inflation rate by some three percentage points.

A typical one ton general purpose vehicle now costs £9,000 a year to operate and a 32 ton articulated outfit has now passed the £50,000 a year figure, he said.

"Over half of these costs are running costs and so subject to management control," he said. So management needs more comprehensive information to identify savings.

Economies come from improved ultilisation, more planned maintenance, reduced stocks of parts, better warranty management, lower vehicle downtime, change to vehicle specification and perhaps a more enlightened approach to replacement policy.

Local authority transport fleets are also using the system. The authorities are increasingly forced either by legislation or the Audit Commission to examine costs and ensure they are competitive.

Many local authorities allow their fleets, often comprising hundreds of vehicles, to be operated by separate departments, so cost control is loose.

The same applies to other local and national services, including health and water authorities, who are joining the customer list, such as Folkestone Health Authority, Newcastle and Gateshead Water Authority and Staffordshire Ambulance Service.

Fleetplan's standard system covers workshop repairs, outside invoices, fuel, distance, fitter time, vehicle specifications, and nine standard reports such as vehicle history, licence and taxation reports and repair code analysis. There is a separate stock control system.

The Autolease system is based on a closed-user Videotex linked to IBM main frames at IBM's regional centres.

The basic system includes analysis by driver, vehicle, petrol consumption, maintenance costs and summarises fleet details.

It also allows comparison of running costs with the main Autolease database to see if costs are out of the ordinary.

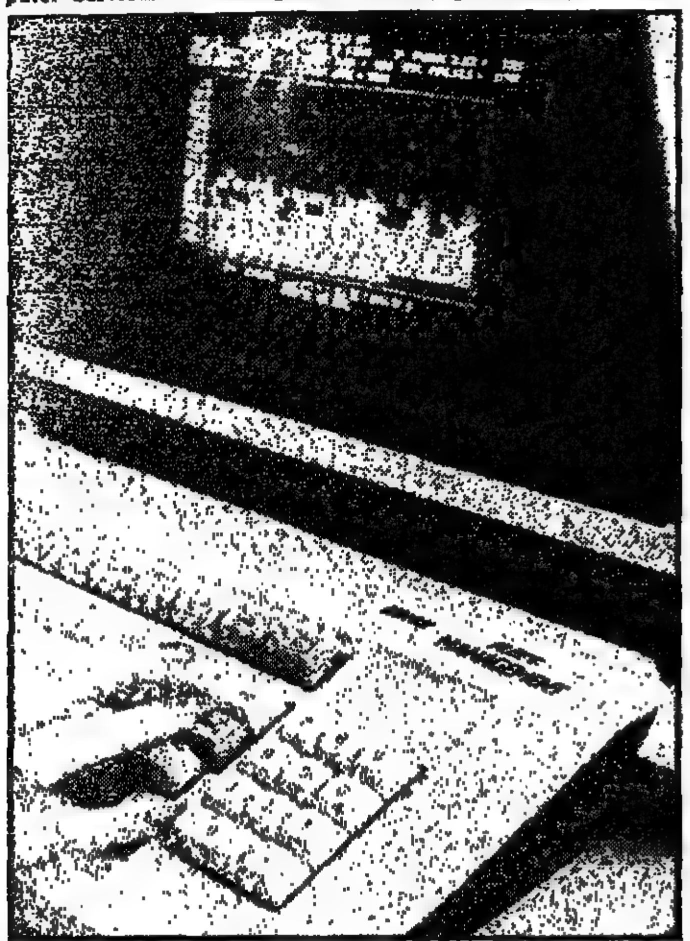
Comparative costs are fairly easy for cars not so easy for HGVs, said Mr Davis of Fleetplan.

"The problem comes in comparing like with like across a wide range of users," he said.

Even the Vehicle Maintenance Reporting Standards initiated by the Institution of Road Transport Engineers only begins to solve the problem.

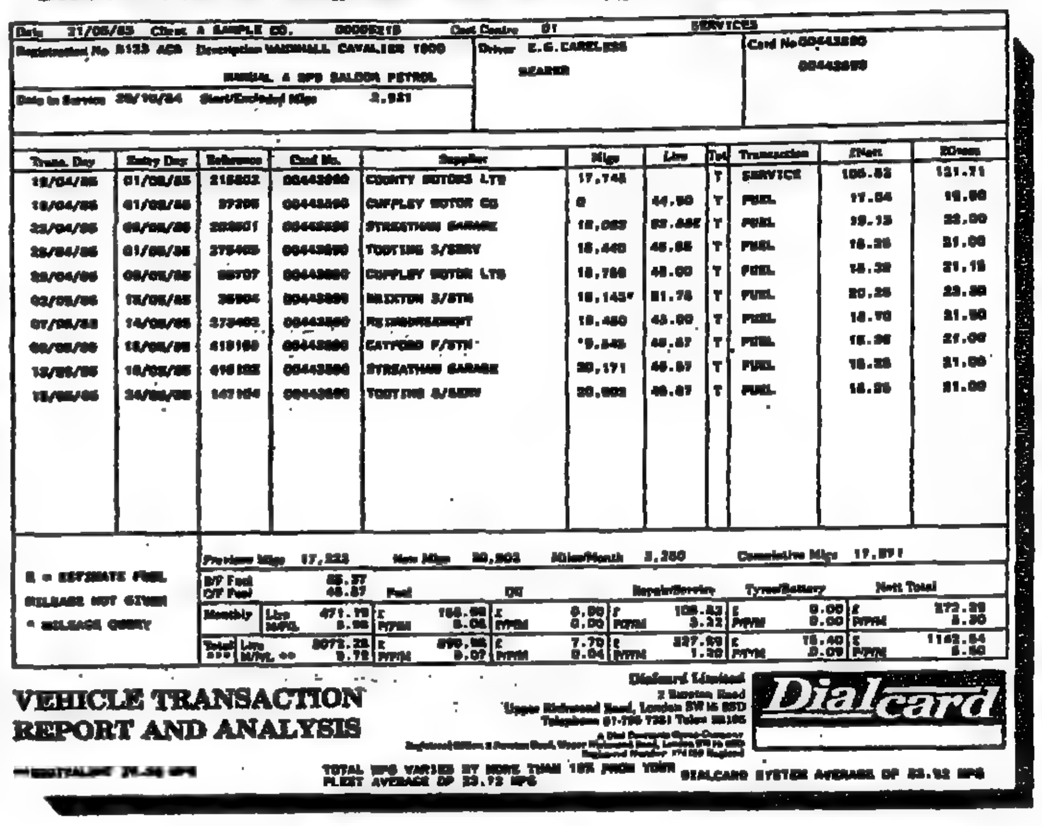
"To make the scheme viable nationally we would have to set up an independent sampling system, which costs money," said Mr Davis.

**Graham Sidwell**



On-line information systems provide up to date information on the running costs of each model.

Drivers of a Godfrey Davis Contract Hire client receive their cars, and (below), a vehicle analysis sheet. The pros and cons of different financing systems are perceived differently from one company to another but the precise data provided for managed fleet, either on fleet management or contract hire, give an accurate account of costs.






# Vital say of the user-chooser

Continued from Page 1

In its fleet sector alone, Cavalier sales dropped by 12,000 last year to 68,400, enough to allow the Sierra (with 71,200 registrations) to edge ahead and become the favourite fleet car.

Worse still for GM—and bad tidings for Austin Rover—Ford is about to launch a radically revised Sierra which has also had its appeal broadened by the inclusion of a booted version.

Mr Humm, Ford's managing director, suggests there has already been "a rising tide of acceptance for the Sierra's styling" and now the booted version opens up to the model the 40 per cent of the medium-sized saloon market from which it was previously excluded.

At present the mid-sized car sector is split about 60-40 in favour of hatchback cars, but Mr Humm says Ford dealers suggest that sales of the booted Sierra will be about 50 per cent of the total from now on.

"There are still many companies which prefer a car with a boot for security reasons," he points out.

Mr Humm believes Ford has a once-in-a-lifetime opportunity this year to improve its position in the UK in a balanced way—and will show increases in volume sales, market share, profitability and profit for dealers.

This is because of the Cavalier's current weakness and the fact that Austin Rover has still to get its act together.

The situation will not last, of course. GM will come back, Austin Rover will attempt to do the same, Peugeot is building a UK presence—including tackling the fleet sector in a professional way. And it will not be too long before Nissan, currently just assembling Japanese car kits, becomes a fully-fledged producer of British cars.

One possible cloud on Ford's horizon is that its exceptional strength in 1987 might provoke one or other or both its major rivals into renewing the price warfare which caused such turmoil in the market two to three years ago.

The prices issue already looms large because the value of the pound has dropped so sharply against other currencies, and against the Japanese yen and West German D-Mark in particular where the fall was 25 per cent in 12 months.

Last year car prices continued to outpace inflation as measured by the retail price index. Ford's list prices advanced by 7.7 per cent; GM's by 8.6 per cent; Austin Rover's by 8 per cent and Peugeot-Talbot's by 7.7 per cent.

Among the traditional importers Nissan put up prices by 11.3 per cent last year, Volkswagen-Audi by 10.8 per cent, Volvo by 8.6 per cent and Fiat by 9.2 per cent.

There have been loud warnings from the importers of Japanese and West German vehicles that there is still much catching up to be done.

Mr Paul Layzell, managing director of BMW's import company whose car prices rose by 16 per cent last year, suggests he needs another 25 per cent price increase in 1987 just to stand still.

Mr Alan Marsh, managing director of Toyota (GB), put up his prices 11 per cent in 1986 and hopes he can get another 15 per cent this year. If this price explosion does take place it is bound to bring more business to the specialist leasing companies.

"The price increases will place a much heavier burden on the fleet operator's capital resources whereas contract hire and similar leasing schemes have the advantage of spreading the financial commitments of the fleet over an extended period, based on known monthly payments," says Mr Trevor Jones, deputy managing director of Autolease.

"This allows for much greater budgetary control and forecasting.

"This situation may well provide the incentive that some fleet operators require to examine alternative methods of acquisition which can ultimately save them valuable time and money."

However, there remains a question mark over the whole question of the company car. Because of the government's efforts to take the tax advantage away, "we are now approaching the stage when private car ownership, rather than corporate, will be seen to be more attractive to many businessmen," according to the British Vehicle Rental and Leasing Association.

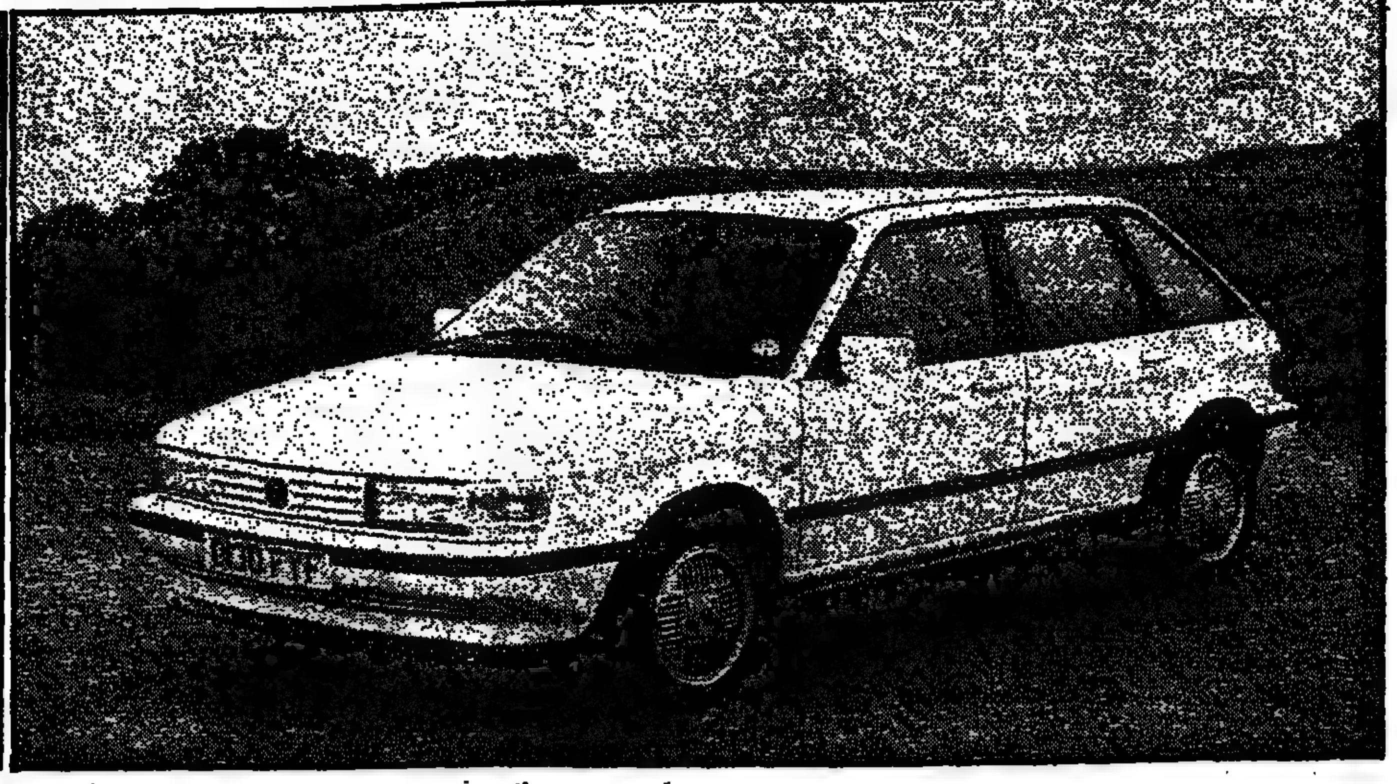
"Once this stage is reached it is clear that imports will increase as the purely private sector prefers imported cars," the association adds.

The BVRLA has urged the Chancellor of the Exchequer to make sure that annual increases on the "benefit in kind" tax paid by company car drivers is kept in line with the inflation rate "to avoid a position where it becomes cheaper for the individual to own the car."

Some would question the association's assertion that company car sales benefit UK-based companies manufacturers most of all. For example, a recent inquiry by the Institute of Directors and Reward Regional Surveys found that only 25 per cent of companies now insist that all cars in their fleets must carry the name of a UK-based producer.

*"Monks Guide to Company Car Policy 1987." Price £35 from Monks Publications, Debden Green, Saffron Walden, Essex, CB11 3LX.*

Van of the district laundry operation of Lewisham and North Southwark Health Authority in London. The fleet of purpose-built vehicles is on contract hire from BRS.

The Ford Sierra RS Cosworth and (right) the MG Maestro 2.0 EFi designed to appeal to young executives

In-house Management

# Move towards more choice for company car users

THE COMPANY CAR fleet can be an organisation's most difficult administrative problem, *given the move towards* greater freedom of choice for company car users, encouraged by "*niche marketing*" by the car makers.

More manufacturers are bringing out precisely-targeted models such as the new Austin Montego 2.0Si which lines up against the Vauxhall Cavalier SRi and the revamped Ford Sierra 2.0iS. All three are designed to appeal to young executives with sporty instincts.

Mr Tony Vernon-Harcourt of Monks Guide* says that more choice is being offered to company car users, right down to sales representative level.

*Monks' 1987 survey highlights* a 7 per cent growth in choice for directors of companies, with 65 per cent allowed to choose any make or model of vehicle.

Eight per cent more senior managers, *or* 53 per cent are allowed free choice, 4 per cent more area sales managers (39 *per cent) and 3 per cent more* sales representatives get a choice, those salesmen representing 34 per cent of the sample.

This has a bearing on the way company car fleets are administered, with a move towards contract hire continuing to accelerate. The leasing and hire industry puts growth at around 15 per cent a year.

The same survey shows that from a sample of 210 companies operating 90,000 cars, 70 per cent favoured outright purchase compared with 73 per cent last year.

Leasing saw no change, with 14 per cent of each sample.

Contract hire, with vehicle acquisition and fleet management bought in as a package, moved from 13 per cent in 1986 to 16 per cent this year.

Many companies which had experimented with contract hire in the year ended by moving over to the system completely.

Mr Vernon-Harcourt said it is not possible categorically to identify one method of financing the company fleet as more beneficial than another. Much depends on the circumstances under which the company is using its cars.

But he felt it was clear that contract hire has become more popular than finance leasing and lease purchase, largely because companies want to avoid the maintenance costs and residual value risks which are part of leasing and lease purchase.

The move towards contract hire is likely to receive a boost from the new statement of standard accounting practice (SSAP) 21, which requires finance leases to be capitalised on the car user's balance sheet, Mr Vernon-Harcourt says.

He says outright purchase has benefits in terms of cost and *flexibility.*

It does mean a cash call on the company's resources, so cost *evaluation is a question of* assessing how profitably the funds can be deployed which *would otherwise be tied up in* the purchase of cars.

Only a thorough and detailed appraisal will determine whether the cost of outright purchase will be lower than the cost of external finance.

Buying a car gives only a 25 per cent writing down allowance for tax purposes to a maximum of £2,000 a year, irrespective of lease or purchase, so the tax position is more complex for cars costing more than £8,000.

*Outright* purchase allows maximum choice of cars and suppliers with disposals and *acquisition at any time. But* purchase ties up cash and even a modest fleet of 25 cars involves capital *expenditure of* at least £125,000.

There is also a substantial administrative burden ranging from arranging purchase and sale, maintenance and temporary replacement to recording costs.

And many companies still have no real idea of the costs of running their fleets according to Mr Trevor Jones, deputy managing *director of Autolease of* Birmingham.

Outright purchase is an option for cash-rich companies. The move towards other methods is seen by the industry as a result of the squeeze on liquidity from the years of recession and the realisation by managers that other methods of fleet control and financing should at least be examined.

On and off-balance sheet methods exist, covering methods from outright purchase to various lease and contract hire arrangements. On the balance sheet, outright purch*ase can be the cheapest, though* most companies do not identify all the costs involved in their *various departments.*

But it is not necessarily the most cost effective method, given the call on the company's liquidity and cash flow.

Hire purchase is not now widely used by companies as a *form of credit*, and it is usually the most expensive, with interest at a flat fixed rate.

Contract purchase, or lease purchase, is a system where the full capital cost is not paid off during the period of operation. A final "balloon" payment is built into the calculations, so monthly payments cover anticipated depreciation and funding charges.

This cuts the outlay and gives better cash flow, though the larger "borrowed balance" means higher interest charges. The hirer then pays "balloon rental" on termination. In practice the lessor disposes of the vehicle and settles the balance.

The drawback comes in assessing at the beginning of the lease the value of the vehicle at the end, together with any maintenance charges included in the contract.

The off-balance sheet methods are classed as leasing and are governed by the accounting standard *SSAP 21. Under* this, finance leases have to be capitalised on the balance sheet but *operational leases do not*, the difference being the party (lessor or lessee) who carries all or most of the risks of ownership.

Under full write-off leasing the lessee bears depreciation and maintenance costs and risks, and receives the sales proceeds when the vehicle is sold.

A flexible or open-ended lease is similar but allows the lessee to pay a predetermined settlement figure on early termination.

A "balloon" lease instead sees the lessee paying "balloon" rental on termination after an agreed period.

Because they carry the risks *and rewards of ownership,* these lease types will have to be declared on the lessee's balance sheet from April this year.

*If* the risks and rewards of ownership are carried by the lessor, it is treated as an operation lease under the new rules, is not shown on the balance sheet as assets and cosmetically improves gearing.

*This method principally covers* the increasingly popular contract hire, with or without maintenance.

Under this the lessor bears depreciation and maintenance costs and risks, and receives the sales proceeds when the vehicle is sold.

The lessee returns the vehicle and may pay adjustments based on mileage and condition.

Where an operating *company* decides to maintain its own fleet it can still opt for a fleet *management scheme*. Such schemes are increasingly computer based.

*The* scheme allows operators to use the minimum number of personnel to control the fleet, using the management company's cost control system.

Short-term rental is another option, normally used as a supplement to contract hire and other methods, with rental costs written off as trading expense.

Finance for leasing and contract hire depends on the status of the lessor.

Large companies may use their own group financial strength to buy money on the markets. *But there are more* links between the large finance houses and specifc lessors, For*ward Trust and Avis, Lombard* and Lex, UDT and Swan Rentals, for example. And *finance houses such as Lloyds* Bowmaker have specific schemes to back dealers.

**Graham Sidwell**



Tax benefits

# Strong factor in pay packages

THE PROVISION of fringe benefits in a tax-efficient way remains an important element in the pay packages which employers put together for higher paid employees, and the company car is probably the most popular and visible of these. This is despite pressure by the Government through the tax system to limit such benefits.

An employee is defined as "higher paid" if he or she earns £8,500 a year or more and their remuneration includes not only salary, commission and bonus payments but also benefits in kind, valued as if the employee were higher paid, and any expenses, irrespective of whether they are taxable because he gets a personal benefit from them.

The only deductions allowed for this purpose are for those expenses covered by a dispensation obtained by the employer and for pension scheme contributions.

Employees who are not within these definitions are unlikely to get caught by the benefit in kind rules, provided that certain elementary rules are observed. An important one is that the provision of a car should not be in substitution for salary. To put it another way, the employee should not be able to claim an increase in salary if he gives up his company car.

When the separate regime for taxing benefits on directors and higher paid employees was completely recast in 1976, a new scheme for taxing the provision of company cars for employees was introduced. The 1976 legislation introduced the concept of the "scale" or "table benefit." This lays down that the value of the taxable benefit of the provision of a car to an employee is to be determined by a scale depending on the car's size, cost and age. This scale is normally adjusted annually; the amounts applicable for the tax years 1986/87 and 1987/88 are shown in the accompanying tables.

No adjustment is made for business mileage, except:

- Where the business use is less than 2,500 miles a year the scale benefit is increased by 50 per cent.
- Where the business mileage is 18,000 miles a year or more the scale benefit is reduced by 50 per cent.

Adjustments to the scale figures are also made where the car is off the road for a material period and where more than one car is provided. Not surprisingly the scheme extends to cars provided for the use of members of an employee's family.

This scale applies only to the provision of a company car and therefore covers the benefit of depreciation and expenses such as leasing, repairs and maintenance, insurance and licences. All these expenses should be deductible by the employer in accordance with normal tax principles except that some adjustment may be required where the car costs more than £8,000.

A separate scale applies where petrol is supplied by the employer; again this depends on the size and cost (but not age) as shown in the tables. A 50 per cent reduction for high business mileage (18,000 miles a year or more) is given as in (b) above but no increase is applied for low business mileage.

Where an employee makes some contribution for his private use of the car this is deducted from the scale figure in arriving at the amount on which he is actually taxed. However no adjustment is made for any contribution for private petrol unless:

- The employee is required to make good the whole cost of the petrol taken for private use and actually does so.
- The employer only provides petrol for business use.

It follows therefore that to be tax effective any contribution by employees should be related to the provision of the car only and not be in respect of petrol.

The actual cost to the employee is income tax at his top rate on these scale amounts after allowable contributions. It is possible that for an individual with a low private mileage the cost in extra tax, particularly on the petrol scale, can exceed what it would cost out of his own pocket; if this is the case it may be appropriate to consider some other arrangement.

So far as employers are concerned an added problem and an added cost has now been brought in as regards Value Added Tax. Customs & Excise have sought in the past to apply VAT to the private use of such cars by individuals but without great success. Proposals were made by C&E at the end of 1984 that an appropriate proportion of the running expenses of company cars should be identified as attributable to their private use and VAT should be charged on the notional "supply" accordingly.

However, apart from the incidental difficulty of dealing separately with those expenses which are exempt from VAT, such as insurance, or outside its scope such as vehicle excise duty, a material difference in the VAT treatment was perceived depending on whether the car was owned by the employer or leased.

Eventually these proposals were abandoned and the charge to VAT is limited to the supply of petrol for private use.

It has in fact been common practice for many employers to accept some charge to VAT on private petrol for company cars, either by accounting for an agreed amount of output tax arrived at on a round sum basis or by restricting the claim for deductible input tax.

With effect from the next VAT accounting period, beginning after April 6 1987, the Inland Revenue petrol scale is also to be used for VAT purposes, though only by reference to engine size. The amounts laid down in the scale will be treated as VAT inclusive and the company will be required to account for output tax accordingly, as shown in the table.

The scale charge is reduced by 50 per cent where the business mileage exceeds 4,500 a quarter. However, if the employee pays a larger amount by way of contribution for private petrol, this is to be taken as the measure of the tax inclusive supply for VAT purposes.

One important difference between the VAT and income tax treatments is that the VAT scheme applies to all company cars, not just to those used by directors and higher paid employees. Thus the new scale will apply to cars used by non higher paid employees as well as to those already within the scope of the 1976 income tax legislation.

It is therefore important that the company's VAT records are geared up to ensure that the appropriate output tax is identified and accounted for on all business cars.

**Bill Packer**

*Bill Packer is a specialist at Touche Ross.*

Charge cards can bring a big saving in paperwork for companies

### Tax allowances

| | Cars (£s) Under 4 years old | | 4 years old or more | | Petrol | |
|---|---|---|---|---|---|---|
| | 1987-88 | 1986-87 | 1987-88 | 1986-87 | 1987-88 | 1986-87 |
| Cars with original market value up to £19,250 and having a cylinder capacity*: | | | | | | |
| 1400 cc or less | 525 | 450 | 350 | 300 | 480 | 450 |
| 1401-2000 cc | 700 | 575 | 470 | 380 | 600 | 575 |
| over 2000 cc | 1,100 | 900 | 725 | 600 | 900 | 900 |
| Cars with original market value up to £19,250 and valued at: | | | | | | |
| less than £6,000 | 525 | 450 | 350 | 300 | 480 | 450 |
| £6,000-£8,499 | 700 | 575 | 470 | 380 | 600 | 575 |
| £8,500-£19,250 | 1,100 | 900 | 725 | 600 | 900 | 900 |
| Cars with original market value at over £19,250: | | | | | | |
| £19,251-£29,000 | 1,450 | 1,320 | 970 | 875 | 900 | 900 |
| over £29,000 | 2,300 | 2,100 | 1,530 | 1,400 | 900 | 900 |

* Comparable 1986-87 categories are: 1300 cc or less, 1301 cc-1800 cc, over 1800 cc

### VAT from April 6 1987

| Engine size | (£s) Quarterly scale | Monthly scale |
|---|---|---|
| Up to 1400cc | 120(15.65) | 40(5.22) |
| 1401 cc—2000cc | 150(19.56) | 50(6.52) |
| Over 2000cc | 225(29.34) | 75(9.78) |

VAT at 15 per cent is shown in brackets.

Charge cards

# Big cut in paperwork

CARD-BASED systems for fleet management are in a "tremendous growth stage", says Mr John Cullum, managing director of PHH, the vehicle fleet management group that controls the All Star fuel card system in the UK.

All Star, a charge card for the purchase of petrol, Derv, LPG and oil, is intended to reduce paperwork and minimise abuse of fuel expenses by company personnel. It is issued by PHH, at a cost inversely related to volume, for use at a national network of petrol stations and diesel outlets.

PHH claims that its fuel card holds about 50 per cent of the market, with 250,000 cards issued. It also runs the BP Supercharge card, which takes the number of its charge cards for fuel to over 300,000, or 65 per cent of the market, it says.

You are invoiced weekly at pump prices, with details of location, vehicle registration, quantity, total and average costs, and VAT. The invoice can be designed to suit individual requirements.

Although the fuel card was the start of PHH's payment system for clients, it is now seen by the company as a link to provide other fleet management services. "Part of our armoury is to go after the car from its birth to its grave," says Mr Cullum.

The link takes the client on to the All Star Service Card, launched last year as another purely charge card—"a natural evolution to do the same for repairs and maintenance as we were doing for fuel," says PHH.

The Service Card allows company drivers to obtain service and repair for their cars at 7,500 national outlets. They also have access to a recovery service, arranged with National Breakdown, on a pay-as-used basis at special rates negotiated with PHH.

Each card is embossed with a repair limit, and before a garage can carry out work that will exceed this limit, it must telephone the company for authorisation—the telephone number is on the card. Charges for this card are also related to the number that you order.

The other product in PHH's current armoury is the fleetcard—the most comprehensive and expensive service for your fleet of cars. The Fleetcard is more than a charge card in that PHH manage maintenance for you, making the decisions on when and to what extent repairs need to be done.

Volume discounts are available on servicing nationwide, and a spending limit on each vehicle prevents expensive repairs without consultation with a PHH technical adviser, who has the history of each vehicle on record.

On a fully managed service, it is claimed, a client could save from 10 to 15 per cent of total fleet operating costs over a year.

Reducing paperwork through a charge-card system of payment for fuel or maintenance is an obvious and immediate economy. Control of expenses is another, and there is no extra charge on bills, whether for fuel or maintenance. With its All Star fuel card, PHH offers a voucher system as well, whereby the card is held centrally and drivers are given vouchers that have stipulated limits.

Mileage analysis is also available on such cards, to enable stricter control and help in your choice of cars.

A wide-ranging choice of service in the field of charge cards and fleet management ought to meet the needs of a company, regardless of its size. But clearly volume is extremely important in determining the actual cost reduction, as most charges are linked to the number of cards ordered.

Overdrive, an independent specialist fuel-payment system converted from the old "Heron" card, claims to be second in the UK market for fuel cards. Its major shareholders are the Prudential and Wells Fargo bank, and it aims to provide a fuel payment-only system for fleets of 50 cars or more. Charges can vary to £12 a card, depending on the number ordered, and Overdrive claims to have 30 per cent of the market.

Dialcard, a direct offshoot of Dial Contracts, the UK's largest contract-hire operation, was the first to offer both a fuel card and a maintenance card, and now competes with PHH. It currently has a link-up with Shell, whereas PHH is linked with the BP Supercharge card, and Overdrive with the Esso card.

Competition in the charge-card market for fleet management is keen, and casualties litter the route. Yet the UK is unique in that about 50 per cent of all new cars are sold to companies, the proportion in western Europe being far smaller.

Card payment systems for fuel and vehicle services on the continent are virtually unknown, and although PHH is putting into place a European management organisation to herald its products, there is no specific date for its launch.

Any plans to move into the continent would initially embrace only a fuel card, based on the All Star fuel system in the UK. With 7.5m commercial vehicles in western Europe alone, the company believes the market holds potential.

In the UK, PHH says it has doubled its card usage in three years, and that it expects 800,000 cards to have been issued by 1990.

While the charge-card payment system in fleet management has evolved quite considerably since 1977, when the oil companies first introduced it, it faces the same revolutionary changes as all plastic card systems.

Discussions among banks and retailers on the introduction of an eft/pos (electronic funds transfer at point of sale) system involving plastic cards have, after long delays, begun to move forward. The aim is an instant transfer of funds from a cardholder's account to that of the vendor, eliminating all paperwork.

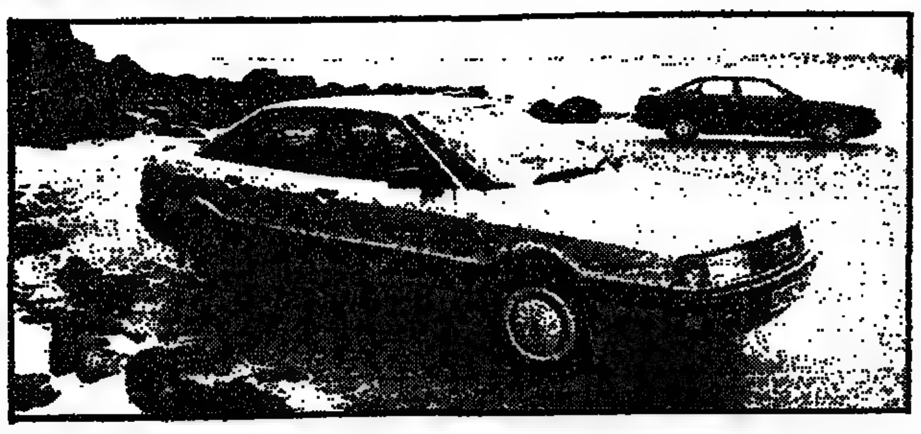
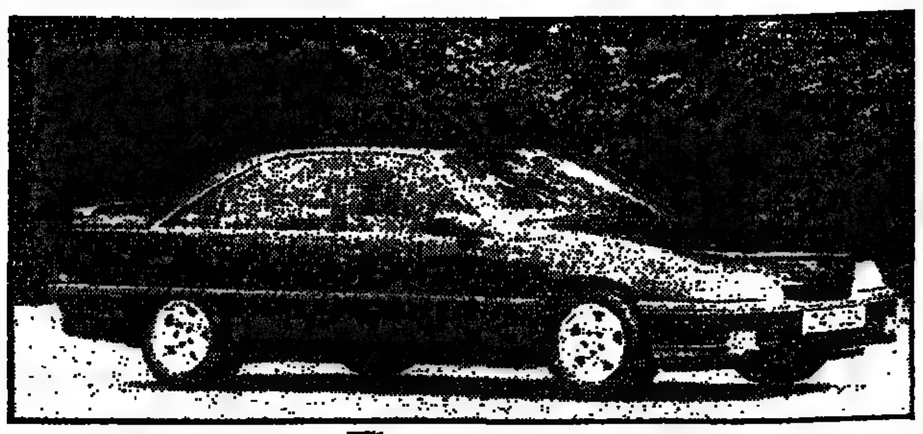
A variation on eft/pos under consideration for fuel/service cards is epos—electronic point of sale, without the funds transfer. This would involve the sort of technology that banks use in their cash-dispensing machines. The magnetic stripe in the plastic fuel card would certain all the relevant information about the cardholder, which would be checked by the epos equipment on the forecourt.

Information from the pump, such as quantity, and fuel grade, would be added automatically, and the attendant would merely pass the card through the reader for full receipt.

PHH has been conducting experiments with epos using its All Star fuel card, which has a magnetic stripe, and the group is working on the adaptation of the system for the fuel-card customer.

As the technology improves, data transmission systems to the client become more sophisticated. All of the major companies can offer data on magnetic tape or disc, or by direct data transmission.

**Dina Thomson**


The new cars

# Variety of upmarket models with all the refinements

THE PAST year has seen the introduction of a substantial number of cars with appeal to fleet managers and business users. They extend still further the variety of models on offer to *business drivers.*

The range is being extended in part by the continuing emphasis on the user-chooser, who may opt in some cases for a model not included in the company's normal purchases.

The need in some companies to be flexible in the choices allowed, perhaps to attract staff, is also pushing choices further upmarket and among the cars looked at here are models that aim to provide the many refinements that a driver might expect if buying the car himself or herself.

First, the **Audi 80.** Though mechanically not much different from before, has an aerodynamically-styled body of exceptional efficiency and will appeal to buyers for whom the Audi 100—which it closely resembles—is just that much too big.

At present, the new body is offered only with a 1.8 litre four-cylinder engine in various stages of tune, but a 90 version with a two-litre, five-cylinder is waiting in the wings. So, too, is a Quattro 80 with all-wheel drive, and its attractions will be obvious to any one who has had to drive in the recent snows.

**BMW's** big Seven-Series saloon is for the top manager seeking a change from his S-Class Mercedes or Jaguar. Though little different externally at first glance, the lines are subtly more elegant and BMW have poured vast sums of R&D money into making the new car more refined, economical and reliable than before.

Ride comfort and silence is now in the Jaguar class, and praise comes no higher. The BMW's classic in-line six-cylinder engines of three-litre and 3.5 litres capacity do not have the increasingly fashionable multi-valve heads but still manage to produce higher output per litre than many engines so equipped.

**Citroen,** once so idiosyncratic as to be the stuff of which fleet manager's nightmares were made, has scored a hit with the *mid-sized BX models which* manage to be sophisticated and simple at the same time. The diesel version in particular has been sought after. During some months in 1986, it was Britain's best-selling diesel car.

The smaller AX, due to reach the UK this summer, could be called a car designed by computers to be made cheaply by robots. Lively and very economical to drive, it has the potential to win Citroen fleet business at the junior salesman level.

**Fiat's** Croma, a close though lower-priced relative of the Lancia Thema, is Italy's answer to the Audi 100 and Renault 25 and offers quite a lot of large and roomy car for the money. The Turbo is is a notably high performer, too.

One of the most eagerly awaited announcements for fleet managers has been that of the **Ford** Sapphire, a booted development of the Sierra. Until Sapphire—it goes on sale on March 3—appeared, Ford was missing out on 40 per cent of potential buyers in the C/D class. The Sapphire must be a roaring success in its class. It comes with six equipment levels from the fairly basic to luxurious, and a choice of six engines, ranging from a 1.6 litre to a 2-litre with fuel injection.

Like the Sierra hatchback and estates, the Sapphire has suspension changes reflecting Ford's experience with high performers such as the Sierra 4x4 and RS Cosworth. Also new for 1987 are improved security and sound systems and the availability of ABS anti-lock brakes and air conditioning. So comfortable, lively and refined are the Sapphires that one can see them taking business not only from other-make competitors but from the Granada as well.

Although the **Honda** Legend for Britain is being made by Rover Group, fleet managers will probably feel it is too Japanese to be considered as a likely buy. They will go for the Rover 800 (and the forthcoming 600 hatchback derivative due for announcement at Geneva Show at the beginning of March. Although somewhat upstaged by the new Jaguars, the Rover 800s, with 4-cylinder, 16-valve engines and the Honda V6 powered 825 and Sterling, are admirable cars. They will be appreciated by business drivers much more than might be suggested by some of the early reports in enthusiast motoring publications.

**Jaguar's** XJ6, Sovereign and Daimler saloons are everything the senior manager demands of a car. Their ride comfort and isolation from road-induced noise is approached by only a handful of competitors and surpassed by none.

The new 2.9 litre and 3.6 litre engines are more powerful and economical than the larger capacity units they replaced and are now matched with one of the best 4-speed automatic transmissions available.

Despite high-technology electronics in the engine management system, anti-lock brakes and instrumentation, the Jaguars epitomise the understatement, the St James's Club atmosphere, of the traditional British quality car. When car makers in other countries try to achieve it, the result is self-conscious. In the Jaguar, it simply looks natural and correct.

The **Mercedes-Benz** 200-200 range of medium-sized saloons continues to represent a yardstick against which other business cars are measured though the strength of the D-Mark makes the price of the top-of-the-range models look rather daunting.

They feature the five-link rear suspension first seen in the compact 190 series and have the kind of handling and roadholding that takes very good care of a manager who may have things other than driving on his mind. Their seats no longer feel quite so hard; road roar over coarse surfaces has been much reduced; and they combine great mechanical refinement with an impression of indestructability.

**Nissan's** Bluebird front-wheel driven saloons are now being made at Washington, Tyne and Wear, and are British enough for a fleet manager to consider even if he has to operate a no-Japanese policy. They are a great deal more British than some cars with household names that are thought to be UK products even though they are imported fully built-up from mainland Europe.

The Bluebird is not visually exciting but it is a competent package, with suspension tuned to British tastes, high build quality and a promise of great reliability.

At the lower end of the market **Peugeot's** 309, though made from imported components in the main, is assembled in Coventry. The model range runs from a basic 1.1 litre to an excellent 1.9 litre diesel and new versions due immediately include a high performing 3-door GTI. The familiar 505 has recently appeared with a 2.8 litre V6 engine and a high enough specification to appeal to users demanding a lot of performance as well as Peugeot's traditionally comfortable ride.

If two generous seats and a pair of emergency-only ones are enough, the **Porsche** 944S (now with an ultra smooth and flexible 16-valve engine) or the 5-litre, 32-valve V8 model 928 Series 4 are ideal for senior people who have a lot of serious driving to do in the course of a year.

The **Renault** 25 continues to offer a lot of comfort and spaciousness for a modest outlay and has recently been joined by the 21 range. Though light in weight, these roomy cars are as good as any in their class for noise suppression, ride comfort and refinement, especially in the transmission.

The 2-litre **Rover** 820E, with a simpler kind of fuel injection from the up-market models, is listed at just under £11,000 which makes it look very good value when compared with many imports. This is a car that can hold its own in fairly exalted company.

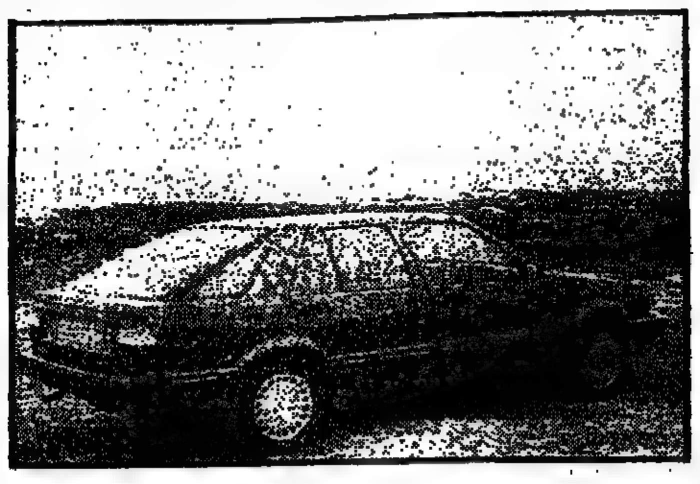
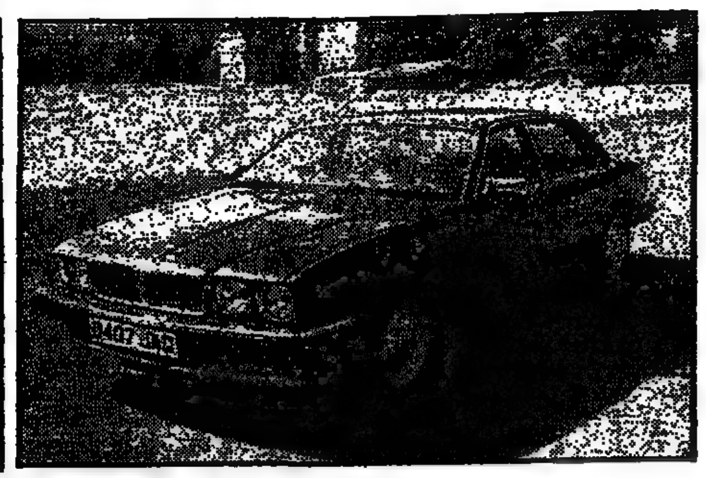
Equally, a Sterling at nearly *£19,000 may look expansive at* first sight. But when the level of equipment is considered—everything is there including air conditioning, ABS brakes and powered seat adjustment—it seems much more competitive. The all-important quality of noise suppression is a feature of the Sterling and of the lesser models in the 800 range.

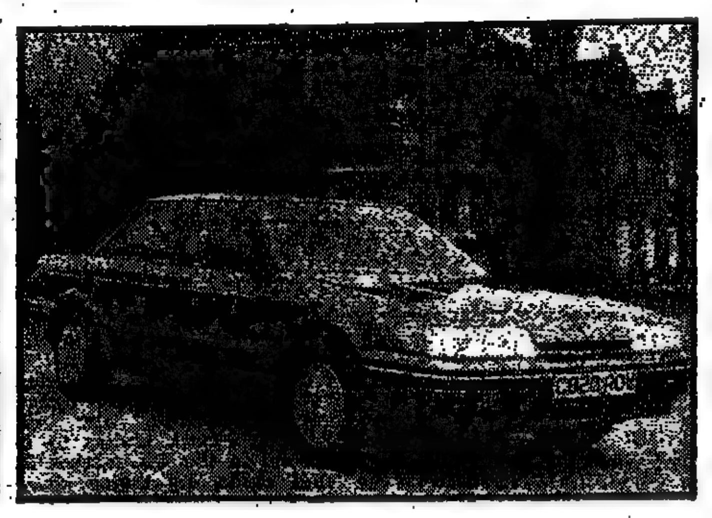
**Saab's** 9000 Turbo 16SE challenges prestige products like BMW and Mercedes-Benz on performance and price. Turbocharging, an intercooler and multiple valves make it astonishingly vigorous for a large car with only 2-litres of engine under the bonnet.

Encouraged by winning the Car of the Year award, **Vauxhall** is expecting great things of the new Carlton. This large and aerodynamically efficient car has an advanced new all-independent suspension, power steering as standard and engines with ample low-speed torque.

With engines ranging from a 1.8 litre 4-cylinder to an in-line 3-litre 6-cylinder, the Carlton competes with high-volume rivals like the Granada and Renault 25 though the up-market version, the GSi 3000, is seen as an alternative to BMW and Mercedes.

**Stuart Marshall**



**Top of page, from left: the Audi 80, a five-cylinder version is in prospect; Vauxhall Carlton, large and aerodynamically efficient; Fiat Croma, lower-priced relative of the Thema. Above, clockwise from top: Saab 9000, model that challenges prestige cars; Jaguar XJ6, strong choice for senior managers; Rover 800, a hatchback version will follow; Citroen BX, sophisticated yet simple mid-size model**

**Ford Sapphire: booted Sierra offering six engines and six equipment levels from basic to luxurious**

Manufacturers

# User-chooser fragments the market

THE BALANCE of power in the UK new car market swung in Ford's favour in 1986 after four years during which the company lost ground continuously to its major rival, General Motors, the Vauxhall-Opel group.

Not the least of Ford's achievements last year was what it dubs "a treble top." In other words, the Ford Escort, the Ford Fiesta and the Ford Sierra took the first three places in the list of Britain's top-selling cars.

Not since 1981 had Ford won all three top places—in that year it did the trick with the Cortina, the Escort and the Fiesta.

GM's Vauxhall Cavalier has taken one of the top three spots since then. The Cavalier spearheaded Vauxhall's remarkable revival which has seen the company's market share nearly double since 1980.

A great deal more has changed since the late 1970s when Ford's position seemed almost impregnable.

For example, no longer does one model dominate the new car market in the way the Ford Cortina once did. In its heyday the Cortina captured 12 per cent of all new car sales in Britain.

Last year the chart-topping Ford Escort accounted for only 8.3 per cent of the market, the Fiesta 7.6 per cent and the Sierra and Cavalier just over 6 per cent each.

Demand has been fragmented as more companies gave more employees more say in the choice of their company car and the so-called user-chooser became an important factor in the market.

However, there was a large gap between the top five best-sellers last year—the Austin/MG Metro ranked fifth with a 5.8 per cent market share — and others in the list compiled by the Society of Motor Manufacturers and Traders (SMMT).

The highest ever annual new car sales in the UK were recorded in 1986, according to the SMMT figures. Registrations reached 1,882,475 or 2.75 per cent more than the 1985 level.

Mr Anthony Fraser, SMMT director, said, however: "Despite this apparent buoyancy, profitability for both manufacturers and dealers has been at a disappointingly low level."

But 1986 did not feature the "disorderly marketing" which created such a turmoil two or three years ago. Manufacturers moved away from giving dealers big extra bonuses so that large discounts could be offered to private buyers. More subtle persuasion, such as low-cost finance, was used.

But in the fleet sector it was business as usual—and that meant very deep discounting indeed. Mr John Bagshaw, chairman of Vauxhall, says that his company walked away from one major deal—for several thousand cars over three years—when the discount demanded reached nearly 50 per cent. "There is nowhere else in the world where that kind of discount is given," Mr Bagshaw points out.


John Bagshaw: Vauxhall walked away when the discount reached 50 per cent.

Manufacturers claim they are not to blame for the discount war but that some major fleets enjoy playing Ford, Vauxhall and Austin Rover off against each other.

The big discounts on offer did not expand fleet sector sales unduly. The 1986 fleet car market—made up of purchases by companies which buy more than 25 cars a year—increased by only 1.33 per cent to 470,985.

This represented just over 25 per cent of last year's total registrations, not much changed from the 1985 level.

However, one reversal in the usual trend which was welcomed by the British motor industry last year was that for the first time since the 1950s the number of imported cars registered in the UK fell and the importers' share of the market slipped back.

Even so total imported car sales remained above 1m and the Japanese continued to benefit from the buoyant demand. Between them the Japanese companies registered a record 208,840 cars last year.

On the other hand, Ford and GM, the two major importers, supplied more cars from their UK factories. Ford boosted its UK-produced car sales from 271,525 in 1985 to 330,845, representing an improvement from 55.9 per cent to 64.2 per cent of the company's total registrations—the best for ten years.

If all goes according to plan, Ford hopes to provide 75 per cent of its UK car sales this year from the British factories.

Ford says its UK plants have been consistently hitting scheduled production targets during the past 18 months.

But the company insists it is just a happy coincidence that this has occurred at a time when it makes much more financial sense to produce in the UK than import from plants on the continent—particularly those in West Germany because the Deutschemark appreciated by 25 per cent against the pound last year.

GM increased the UK content of total sales from 44.4 per cent (134,765 cars) to 56.2 per cent (158,795).

Vauxhall's John Bagshaw admits his company hoped to do better but could not afford to crank up output at its two UK factories to full capacity because demand does not yet warrant it.

Ford celebrated ten consecutive years of UK car market leadership by gaining share for the first time since 1982 last year. GM, on the other hand, lost ground for the first time in six years.

Meanwhile, the potential threat to both US groups by the state-owned Rover Group's car subsidiary, Austin Rover, faded in 1986.

Austin Rover's drop in market share was exceptional—more than two percentage points—and gathered speed as the year progressed.

That left Austin Rover with less than 16 per cent of its domestic market, the lowest level since 1952 when the mergers from which the present company emerged began.

The underlying reasons for Austin Rover's spectacular decline can only be guessed. Some blame the political battles at the beginning of 1986, others the uncertainties caused by the senior management shake-up which followed. There are those who say that Austin Rover's model range simply is not attractive enough.

According to Mr Graham Day, installed as its new chairman, Austin Rover lacked "commercial punch" and he has begun to attend to that deficiency.

There is certainly a chance for Austin Rover to win sales in the fleet sector from GM now that the Vauxhall Cavalier is running out of steam at an alarming rate because it is well known that the model is to be replaced next year by a new car.

But Ford has radically revised the Sierra and introduced a booted version, and clearly expects to benefit most from the Cavalier's current weakness.

Austin Rover and GM were not the only companies to suffer falls in sales volume in spite of the peak demand last year. But the list was a relatively short one, including only Alfa Romeo, FSO, Jaguar, Lotus, Reliant and Renault apart from the previously-mentioned pair.

Alfa Romeo, the state-owned Italian group, not only began 1986 by selling a majority stake in its wholly-owned import company in the UK to trading group Tozer Kemsley and Milbourn, but also spent most of the year discussing which of two companies — Ford or Fiat — should take over the whole business.

FSO, the Polish cars, saw substantial changes in its dealer network which hit sales last year.

Jaguar was replacing its best-selling XJ40 with a brand new model and this was bound to have an adverse impact on sales, which the company expects to be only temporary.

Lotus says it was short of vital components for revised models because some of those supplied were not of the right quality. It preferred to lose sales rather than put sub-standard cars into the market.

Reliant, whose three-wheelers are not included as cars in the statistics, has not had the hoped-for results with its new SS1 sports car.

Renault's problems were also those of supply. The new R21 family saloon did not arrive in the UK until July to replace the old R18 whose sales last year reflected that it was on its last legs.

Among those companies which out-performed the total market last year, Citroen, Colt (the Mitsubishi car importer), Nissan, Skoda and Volvo all claim record UK sales.

Seat of Spain, now part of the Volkswagen-Audi empire, made an impressive start in the UK with nearly 6,000 registrations in its first full year—probably the best performance ever from a standing start.

Apart from Seat, the company with the greatest growth rate—a 45 per cent jump in registrations—was Hyundai of South Korea whose importer in the UK, International Motors, boosted sales from just under 5,000 to nearly 7,500.

International says it has taken since February 1982 to establish Hyundai in the UK but now the dealer network has settled down and the brand has won credibility. The target for this year is 13,000 registrations, rising to about 20,000 in 1988.

Another company which believes it can make rapid headway is Citroen, part of the Peugeot group, now that its cars are more conventional and cost less to service. The BX medium car helped Citroen to a 25 per cent sales improvement last year, to 34,426, and the company expects similar progress in 1987 because it is soon to introduce to the UK its new small car, the AX.

But there is no denying that the 1986 car market belonged to Ford which managed a 6 per cent increase in registrations from a very high base so that its UK sales topped 500,000 for only the second time in its history.

**Kenneth Gooding**


Interior of Jaguar's new XJ6 launched last year.


BMW 735i: also among the choices for managers.


Ford Escort Ghia: sprightly version of a practical car.



Residual values

# 'Check the season before you trade'

THE NUMBER of cars handled by the used car trade this year is likely to increase by 10 per cent on 1986, while values are expected to hold their own. Indeed some observers say that used car prices are not only rising faster than inflation, but faster also than new car priceincreases.

However, the wide variety of factors affecting residual car values makes extrapolation dangerous, even from such generalisations.

Looking at individual makes, the Ford Sierra is holding its value, while the majority of the smaller cars do consistently well, with Ford cars such as Escorts and Fiestas fairing slightly better than most in this group. The "go-faster" versions of smaller cars, such as Golf GTis, and the Peugeot 205 are perceived as more desirable and also fetch better prices.

More expensive cars depreciate more heavily than ordinary cars, as a rule. But several factors can change that. For example, cars which are in short supply or have "desirability" often retain a higher residual value. Timing of disposal can also make a difference.

"It is very important to market the used car, rather than just sell it," says John Cullum, managing director of fleet management company, PHH. "This means identifying the correct route for each vehicle, not merely treating them all the same, looking at how the market place is currently operating and predicting trends.

"Different cars fetch better prices at different times of the year, in various places all over the country. Sometimes auctions are better sometimes trade or retail.

"It is also important that the car is actually for sale and preferably can be inspected. The trade is not interested in making bids for fun."

The price offered will depend mainly on the perception of the vehicle on the used car market, and the history of this type of vehicle. The Talbot, for example, was a reasonably good car, but lost a lot of value, simply because, for no apparent reason, it was badly thought of by drivers.

Car manufacturers can determine residual values in a number of ways, by discounting on new cars, for example.

"But companies can be in danger of overestimating or underestimating depreciation of car fleets by trying to predict residual values in the year when the plan to sell their cars," says Garel Rhys, Professor of Motor Industry Economics at University College Cardiff.

"Residual values are a function of supply and demand conditions in the year in which a car is sold, not when it is bought. It is this year's discounting that will tend to depress secondhand prices in 1987.

"It is much to simplistic to say that lower initial prices necessarily reduce residual values at a later date. The buyer would only suffer if the fall in secondhand prices was proportionately greater than that for new cars; or if discounting increased between the new car being bought and sold."

If anything, Prof. Rhys foresees a possible easing of discounting. "Such has been the competition in the motor industry since the early 1980s, that it is very difficult to point to any car not affected by discounting, even the leading Japanese makes, such as Nissan."

He suggests that some people are now hoping that there may be an easing of discounts with rising exchange rates having an affect not only on German-sourced cars such as VW, but also on tied imports coming from Vauxhall or Ford. The appreciation of the DM, says Vauxhall, reduced its operating profits by £52m last year, with Ford suggesting a figure of £200m. The appreciation of the Yen could also affect Japanese manufacturers.

"But with the market remaining so competitive, and the French and Italians unaffected by present exchange rate fluctuations, it isn't so simple for manufacturers to push up prices in line with such changes. They would like to, but dare not," Prof. Rhys says.

"Even makes such as Porsche or BMW, for which price is not at present critical, may find themselves being compared, unfavourably, with comparable UK-badged vehicles, such as Jaguar."

More reliable predictions can be made, perhaps, on the effect that the introduction of a new model will have on the residual value of an older model after one year when the new model starts to feed through into the used car market.

"If we know a new model is going to be introduced in three years' time, that is reflected in the rents we charge on the current model" says Bob Rider, director and head of the operating lease division of Leaseplan UK. "Rents on the older model will start to increase, though because we have advanced intelligence of the introduction of the new model, we are unlikely to 'penalise' the lessee."

Similarly, a car should offer what is expected, and the extras should be in line with the type of vehicle. For example, a senior executive-type car usually has automatic transmission, so a car of this type with only manual transmission would be worth relatively less. Conversely, a company could not expect to recover its investment in say air-conditioning, if installed into a basic Mini.

Limited editions can often be good packages, so increasing residual values. But other special promotions targetted at the fleet market, for example sun roofs fitted as standard to certain models, actually reduce the value of the same model which does not have the "extra" fitted.

"Sometimes manufacturers will 'dump' their own demonstrators, used cars or car rental support vehicles on the market, so reducing the price paid for other young, low mileage vehicles," John Cullum says.

But more than anything else, selling prices can be improved by greater care by the driver. A careful driver attends to regular servicing, keeps his car washed, prevents rust from spreading by covering stone chips and has any accident damage repaired properly.

Most used cars are sold from the outside in, so drivers who are careful with their vehicles will normally achieve higher sale prices. The vehicle's colour can have an impact on its appearance, with metallics and bright colours retaining their looks well, but white goes yellow over time and body damage is harder to match.

Age and mileage can also affect the price achieved. "A three-year-old car that has done 100,000 miles has very few places to go in the used car market," says Bob Rider. "If a garage buys the vehicle, its value is bound to reflect the amount of preparation, refurbishment and support necessary from a warranty point of view. The chances of selling on "bread and butter cars," in particular, will only be improved by the addition of extras."

**Alastair Guild**

Profile: Coopers & Lybrand

# Profiting from flexibility

IT IS NOT unnatural to expect an accountancy group such as Coopers & Lybrand to be extremely competent when it comes to the day-to-day management of its own business.

The firm has grown by about 300 per cent in the past six years and its 3,500 professions brought in some £120m in fees during the last financial year alone.

Why then does Coopers & Lybrand, so management-oriented, rely on an outside company for so much of the acquisition and operation of its fleet of cars, now well over the 1,000 mark? The answer, it says, is that the commercial advantages, in terms of flexibility and cost effectiveness, are too strong to resist.

The requirement for this kind of ultra-specialist service reflects the rapid growth of financial and management consultancies in the first half of this decade.

It is this growth which has led to the creation of the more sophisticated pay packages needed for the acquisition, reward and retention of an ever-expanding (and often high-flying) group of employees.

The first generally-available car scheme on a structured basis began at Coopers & Lybrand in mid-1979, when the fleet numbered about 50 vehicles. These tended to be the preserve of the senior managers and senior management consultants.

Since that time, the number of cars has increased more than 20-fold, and has actually quadrupled in the past two years alone, as the firm has expanded.

"We're dynamic, and diversifying very rapidly," says partner Ian Dilks. "There are increasing and changing demands on our staffing policy, and we need to recruit to match this.

"Our car scheme therefore has to be easily understood, flexible, and has to be attractive to different staff levels while recognising their particular needs."

Until mid-1986 the employee's choice of vehicle tended to be fairly limited. Coopers & Lybrand operated a fleet list with five or six models per grade, and up until 1984 had also imposed restrictions on marques.

From last July, however, an important modification was introduced. Although a "base list" of models is still maintained, staff may now choose any vehicle within reason, as long as any additional cost is paid by the employee.

UK manufactured vehicles are preferred by the firm, although to insist would clearly be impractical in the current City battles to attract the best brains.

The actual purchasing of scheme vehicles is done on the firm's behalf by PHH, fleet management specialists who spend some £50m each year buying vehicles on behalf of their various clients.

"The clout of PHH is considerable when it comes to the purchase," says Coopers & Lybrand remuneration and manpower planning manager Mr Paul Sheffrin. "We do know that they have a number of preferred suppliers, but all the same they've shown considerable flexibility in the sector."

Currently some 700 out of the 850 eligible employees are on the PHH scheme, which is based in a 36-month/40,000 mile lease (low-mileage cars may be extended to a fourth year).

Mr Sheffrin sees Coopers & Lybrand as a model client for PHH. "They produce composite costs for each type of car we run, and these show that we always out-perform the overall PHH standards for that type.

"One of the reasons is the very moderate sort of driver we tend to have, plus the fact that average mileage is about 8,000."

At the end of a lease, the employee is offered his car at the PHH price; about one-quarter of the fleet is disposed of in this way.

Mr Sheffrin finds it hard to wax lyrical about the monthly leasing invoice. It is very complicated, he says, but on the other hand he has no complaints either.

"It tells the history of the fleet since the last invoice, and it is invariably accurate. On top of that we get the yearly management report from PHH reviewing the average costs, comparison of composites, problem cars and so on."

PHH is now also looking at the possibility of providing special output on floppy disk, consolidating rental billings information in a format which supports Coopers & Lybrand's own analysis.

For charging and control of car maintenance costs the firm issues the PHH Fleetcard to its driving staff. The card is usable at thousands of garages for settling service and maintenance bills, although the garage has first to clear expenditure above a specified limit with PHH head office.

The advantage here, says Mr Sheffrin, is that PHH "know what the work is, whether it's appropriate for that particular car, what sort of work should be expected and what the cost ought to be. We can't do that; we don't have the expertise."

Fortnightly invoices enable exceptional charges to be flagged up and queried: "We do go through the details with PHH—it's a useful way of flagging up when a car is becoming a rogue."

Coopers & Lybrand recently reviewed their fleet vehicle strategy, reappraising the benefits of vehicle ownership with in-house management; using management services only; contract hire; and leasing.

"In the end we stayed with PHH," said Mr Sheffrin. "We were rather attracted by their submission that they were in the business of managing risks, not taking risks. That appealed to us. Their service is not to take the risk away, but to give us the advice that keeps those risks to a manageable level."

**Lorne Barling**

Ashley Ashwood

Paul Sheffrin of Coopers & Lybrand: the fleet strategy was reviewed.

Profile: Nationwide Building Society

# Advantages to direct purchase

NATIONWIDE Building Society, shortly to merge with the Anglia Building Society, is an organisation with access to inexpensive capital funds, and has therefore chosen the most logical method of car fleet acquisition—direct purchase.

Nationwide currently operates a fleet of about 550 cars, but with its recent expansion into house sales through the Nationwide Estate Agency, the position could change considerably, with a requirement for 400 to 500 additional cars.

The existing fleet is now administered from within the company by a staff of three and a highly-computerised system, and this is regarded as very cost effective, with cost comparisons against other fleet systems being made from time to time.

Research by the company has firmly established that the highest cost of fleet operation is the provision of capital, and since this can be reduced through in-house capital expenditure and normal depreciation, direct purchase was the best option, according to Mr Chris French, the company secretary.

However, Nationwide will have to "bid" to provide the additional cars for the estate agency network, and prove that it can provide them at as good or a better price than any competitor, which will no doubt provide a challenge for contract hire companies.

Mr French points out that it would, of course, be an advantage for Nationwide to run the new fleet, since it would reduce the overall management costs for the expanded fleet.

At present, cars are provided for head office staff above a certain grade, for branch managers and for a number of surveyors and field staff. Business mileages are not normally very high, with the exception of surveyors.

As with other companies competing for high-quality managers, senior staff are provided with cars regardless of the business requirement, although they are generally needed for some purposes.

Nationwide has also used its administrative capability to the best advantage, having suitable computer programs developed for the purpose of running the fleet. This also provides the ability to fully computerise all functions, such as insurance, accident claims, road tax, purchasing and disposals.

About 250 new cars are bought each year, with existing ones being disposed of before they reach 50,000 miles, and a policy of buying British-made cars is generally adopted, although some foreign models are offered, mainly to more senior staff.

Nationwide has volume buying arrangements with Ford, Vauxhall and Austin Rover, and a typical range of cars on offer to junior branch managers would be a Ford Escort, Vauxhall Astra, Peugeot 309 (qualifying because it is built at Ryton) and the Austin Maestro.

Senior branch managers would be offered an Austin Montego, Ford Sierra, Vauxhall Cavalier, or a higher specification Peugeot 309. Head office managers have the choice of Ford Granada, Vauxhall Carlton, a high-specification Montego or a BMW 316. Some Volvos are also provided.

Nationwide has also been providing an increasing number of diesel cars, which are an option for high-mileage users. It is recognised that it is worth the additional initial investment for any user who does more than 60,000 miles in three years. However, the purchase price, and resale value, of diesel cars is closely monitored.

Mr French said that British manufacturers had been slow to provide competitively priced and good performance diesels, and Continental models had generally been bought, but this was now beginning to change.

Disposal of cars is normally handled by Nationwide, through long-standing arrangements with dealers, although staff can buy their cars if the price offered is in line with expected resale value. Cars are auctioned from time to time, particularly if they are difficult to dispose of by other means.

Overall, Mr French is satisfied with the way the society's fleet management is carried out, but cost comparisons with leasing and contract hire are made. Three years ago, such an exercise was implemented, taking into account all factors such as management time, cash flow and capital costs, and it showed that the present system was the best option.

**Lorne Barling**

Chris French: satisfied

Profile: Jaguar Cars

# Benefit package for employees

ANY COMPANY which finds itself detached from a large group has many management problems to overcome, and one of these is how to re-organise, if necessary, the way the company car fleet is run.

One company which faced this problem recently, and should have had little difficulty solving it, is Jaguar Cars, which was part of British Leyland before its successful privatisation.

Senior managers drive Jaguars, of course, although they have them replaced less frequently than they would like, owing to the strong demand for the cars.

The immediate response to the problem—which was that the Jaguar division had only a small number of fleet cars compared with the large number within Austin Rover as a whole—could not be solved immediately and the BL management system had to be retained initially.

Like many motor companies, BL operates a management car plan, providing company-made cars at relatively low cost, and this has been retained by Jaguar in a modified form. In addition, the company provides about 50 other company cars in the normal way for employees who need them for work purposes.

Under the management car plan, which is essentially a benefit package for employees, Jaguar purchases cars direct from Austin Rover and leases them to about 800 employees at rates which are generally lower than those offered by commercial leasing companies.

Mr Howard Davies, Jaguar's manager of company vehicles, says Jaguar decided to continue the scheme after the split from BL because it was a benefit which was valued by employees.

The whole range of Austin Rover cars was available to employees, he points out, with lease costs ranging from about £40 a month for a Mini to about £110 a month for a Rover.

The cost of administering the scheme was relatively low, since a department was needed in any case to run the normal company car fleet, and could be run by "a small staff with a big computer." This consists of a manager and two adminitrators, dealing with the purchasing and selling of cars, and with payments, which are normally deducted from pay.

The most popular car is the Montego, followed by the smaller Rover, Metros and Maestros. Mr Davies pointed out that the Rover 200 had been very well received, as was the Acclaim, and its residual selling price was excellent.

The scheme is self-funding, with capital provided out of company funds, and allows employees to reap the benefits of "the best deal at both ends," buying cheaply as a result of volume, and selling in a professional manner. Although the scale of this is not nearly as great as within Austin Rover, it nevertheless remains beneficial. While Austin Rover offers the service to outside companies, Jaguar does not.

The fact that 800 people, out of a total workforce of 11,000 at Jaguar, take advantage of the scheme, is an indication of its popularity.

It also means that the administration on the 50 or so cars provided for staff is easily handled; these cars are bought in the same way, but of course there is no lease charge made.

Management car plans are also operated by a number of non-motor manufacturing companies in the Midlands, and some estimates show that they can provide cars for employees at up to 50 per cent below normal leasing or contract hire costs.

Cars are normally changed about once a year, and once the choice of model is made, they are provided through dealership networks, in the normal way. Cars are sometimes sold to the employee who has leased it, but are generally disposed of through the dealership trade.

Overall, this inherited system from the BL days is one which Jaguar believes is a worthwhile incentive for employees, and it will be continued for that reason. It also retains a link with Austin Rover and no doubt generates good will.

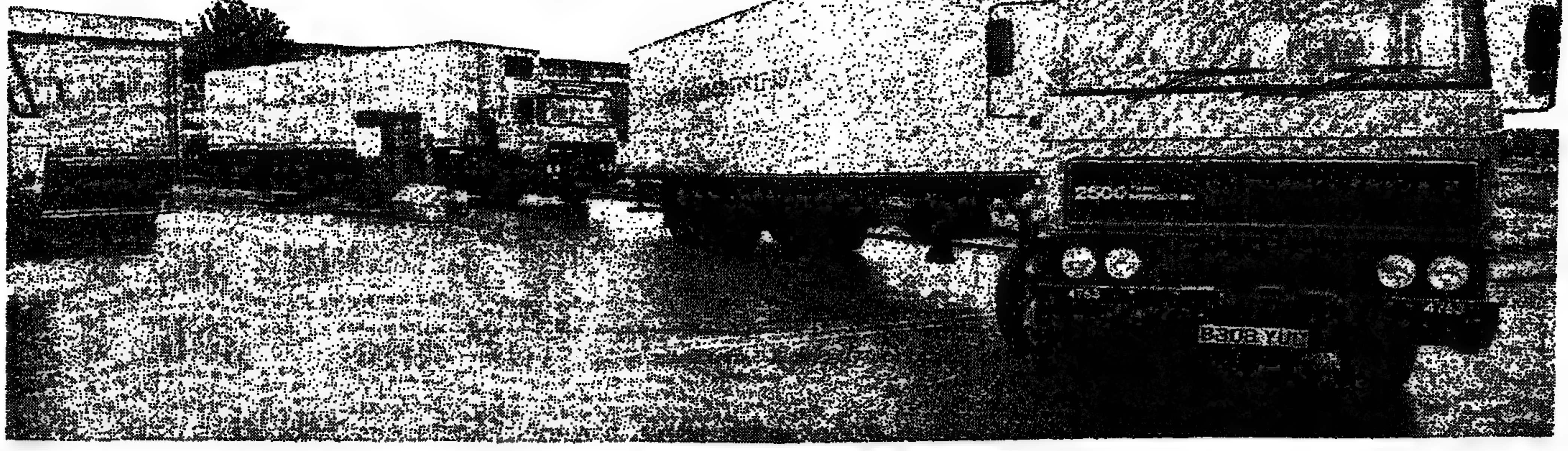
Contrary to expectations, not all senior Jaguar executives are driving the new model, and although efforts are made to ensure that they have a late specification car, they must generally join the waiting list, which can be quite a few weeks.

The company's attitude is that the paying customer must come first, since he is the one who makes it all possible.

**Lorne Barling**

Distribution fleets

# Pattern of continuous change



THE GROWTH of the larger *multiple retail chains*, the increasing use of computerised technology and the ever greater cost of running commercial vehicles are three of the major factors combining to change the face of distribution fleet operations in the UK.

*In so doing, they are helping* to maintain the pattern of continuous—and more recently, rapid—change which has been a feature of road transport activities since the end of World War Two. Initially, for example, nationalisation of road transport in 1948 caused many manufacturers to develop own-account distribution fleets to avoid using the nationalised structure.

In later years, expansion of the UK's road network, particularly the advent of motorways, helped roadfreight operations generally to develop at the expense of a declining rail system.

Now, one of those pendulums of change is definitely swinging the other way and the second could be in danger of getting stuck if not actually changing direction. Specifically, more and more distribution operations are coming under the control of retailers, rather than manufacturers.

At the same time, fears are growing among distribution/road transport executives that with the UK's planned motorway network now virtually complete, likely growth in traffic will necessitate substantial maintenance work on heavily-used sections and lead to increasing delays and diversions for commercial vehicles in the coming years.

Hand-in-hand with those fears are worries over more general environmental issues.

"With vehicle operating costs as high as £25 an hour, delays can be very expensive indeed," said Mr Tony Stanton, managing director of Tate & Lyle Distribution Services. "Just an hour's delay per vehicle per day would represent about £1m a year to TLDS. A single 20-minute delay on all freight traffic nationally would cost the economy £2.25m.

"Environmental pressures are unlikely to diminish and we must expect continuing calls for restrictions on freight vehicles, unless more expenditure can be allocated to eliminating through traffic from towns and villages, while still *providing* for the needs of access."

Environmental problems make up just one of the factors which are encouraging a growing number of manufacturers and retailers to opt out of running part or all of their distribution activities in favour of using outside contractors.

Another problem is cost, with a new heavy goods vehicles now priced at £40,000 or more and running costs escalating all the time.

An indication of the latter came from the Freight Transport Association last month in its pre-Budget submission to the Chancellor of the Exchequer. According to the FTA, the average 38-tonne articulated truck attracted £9,445 in vehicle tax—vehicle excise duty and fuel duty—in 1986, equivalent to 19 per cent of total running costs.

The extent to which manufacturers and retailers are opting out of direct distribution fleet operations can range from merely replacing ownership of vehicles with some form of contract hire/fleet management arrangement through to full contract distribution agreements under which the manufacturer or retailer hands over the whole operation to a third party specialist.

*Confirmation* of those trends came with the publication of a report by prominent contract distribution organisation, Lowfield. Based on research carried out last year by KAE Development, the study involved interviewing a total of 82 retail and manufacturing organisations in the food, confectionery, drinks, household goods and over-the-counter sectors.

According to Lowfield, that research showed that among the manufacturers spoken to, 12 per cent ran their own distribution operation and did not use distribution contractors; 39 per cent used distribution contractors only and 49 per cent ran their own operation and used distribution contractors.

In the retail sector, 23 per cent of organisations ran their own operation and did not use distribution contractors; 15 per cent used distribution contractors only; 54 per cent ran their own operation and used distribution contractors; and 8 per cent had no distribution operation, taking all of their deliveries direct from supplier.

Similarly, a recent report by the NFC Distribution Group claimed that a study of the largest manufacturers involved in grocery supply revealed that 29 per cent of such organisations had retained an in-house distribution operation and were taking steps to improve its economic viability, for example *taking on third-party business.*

In all 42 per cent still had some in-house operation but also used a third-party distribution service; and 29 per cent contracted out all work to third-party distributors, which could be on a dedicated or common-user basis.

"The trend has been, and is expected to continue towards, the third option," added the NFC Distribution Group.

*Helping to accelerate* that pattern is a growing awareness of the need to view commercial vehicle fleet operation and distribution in general as just one cog in a company's overall production/sales process.

Operation of a road transport fleet is increasingly seen as one part of an overall equation which includes the capital cost of distribution operations in terms of vehicles, drivers and so on; the cost of inventory levels, the sales value of greater stock availability and the marketing value of instant management information.

Tied in with that, is the development of computerised systems able to capture and process a wide range of information covering every aspect of a particular sales and distribution operation. In that context, the emphasis where developments in distribution are concerned now tends to be information processing, rather than major technological advances in the equipment used.

"We cannot look to innovation in vehicle design or to much infrastructure improvement on anything like the scale of the past. So improved economic performance can only come from improvements in our capture and analysis of information to help all the players work together to reduce costly inefficiencies," comments Mr Stanton.

In the specific area of distribution fleet operation, a number of different computer *packages/systems have been* developed with a view to improving the efficient of goods movements, vehicle-routeing and delivery schedules.

*Over the last decade or so,* though, undoubtedly the most significant factor affecting the operation of distribution fleets has been the growing role of the *larger retail organisations*, particularly in the grocery sector, using their massive buying *power to increasingly influence* and control the distribution of goods.

With the retailers developing their own centralised supply *arrangements, manufacturers* have for their part had to tailor their arrangements in the face of declining demand for own depot networks.

"The *biggest influence on* distribution practice is anticipated as being the growth in retailers' central warehouses," claims Lowfield. "The decrease in regional depots and high street deliveries, coupled with introduction of modern practises such as computerised ordering and stock control, route designation and bar-coding, will make it incumbent upon contractors to offer increased geographical coverage.

"Independents are expected to make greater use of wholesalers, thus reducing the number *of manufacturers' direct* deliveries."

The result of such developments is that manufacturers' own-account operations, particularly those run as operating divisions of the companies concerned, have often come under severe pressure. With high fixed costs, such operations have become a financial burden for many manufacturers, particularly at a time of increasing economic pressure for cost-efficiency.

*The NFC Distribution Group*, comments: "The final result of this development cycle has been the growth of specialist distribution companies who have aligned themselves with the retailers and manufacturers. Such companies carry out *far more contract and dedicated* work than common-user distribution."

The form of a contract distribution agreement varies considerably from one situation to another, ranging from the straightforward provision of vehicles and drivers through to a total distribution operation taking in warehousing facilities and stock control activities.

In most cases, the contractor *provides the capital for vehi*cles, trailers, plant, equipment and, increasingly, new computer hardware.

In some cases, the contractor's involvement extends to designing and building completely new distribution/warehousing facilities.

Looking ahead, Mr David Buck, managing director *of* National Carriers Contract Services, said he believed the increasingly close relationship between customer and contrac*tor could soon advance to the* point where the latter actually took on legal ownership of stock as well as the warehousing and distribution of it.

Working together to that degree, contract distribution companies and their customers increasingly view their operations as more of a partnership—apart from anything else, the upheaval caused to a retailer or manufacturer by switching from one contractor to another can cause tremendous problems.

That close working relationship is further reflected in the *fact that in a small but growing* number of cases, distribution contractors are operating "open book" accounting, allowing the customer access to all information on the running and costs, profit margins, etc of the distribution operation involved.

However, while the rise of the larger retail organisations has *led to substantial growth in the* development of contract distribution operations, there is still a strong demand for common user distribution services where a third party operates for more than one customer on the basis of shared use of facilities and resources.

Again, changes in the pattern of manufacturer/retailer supply operations over the past decade have inspired a number of *developments in that sector.*

Prior to the rise of the big retailers, most manufacturers ran their own distribution fleets to make deliveries to customers, limiting the opportunities for third party providers of such services. Now, with a growing number of manufacturers opting out of commercial vehicle fleet operation, new opportunities are opening up.

Although a substantial *volume of the traffic formerly* carried on manufacturers' own fleet hire vehicles is now handled through retailer-driven systems not all of it is. The remaining business is increasingly being handled by providers of common user services, operators which basically *fall* into three categories.

First are the large national operators, such as the National Freight Consortium, which provide *common user distribution* services as part of a broad range of operations which also include contract distribution.

Second are some of the major manufacturing companies, for example, Tate and Lyle, United Dairies and United Biscuits, which have opted to develop their own-account transport *operations to offer* common user and contract distribution services to other manufacturers, particularly those in similar fields of activity.

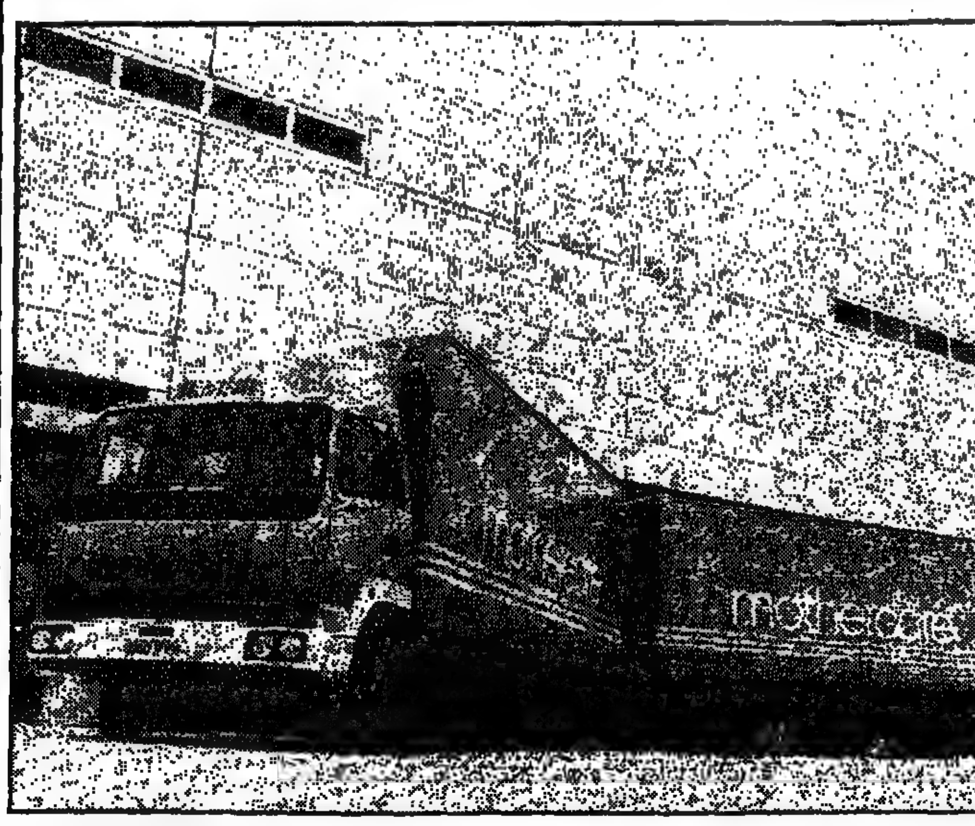
Third are the independent operators such as Christian Salvesen which have seen the opportunity to develop services in particular market sectors.

Looking ahead, while distribution specialists generally agree there will always *be some demand for* common user distribution, there is a growing feeling that the changing nature of the market, particularly the advent of more retailer-controlled central warehouse systems, could make the activity more attractive to independent regional suppliers than to major national companies.

"It is likely that only major manufacturers who operate in *areas where distribution* to the outlet, as opposed to the retailer's central warehouse, remains an essential long-term feature of their business, will require the services of a national, common user distributor," claims the NFC.

**Phillip Hastings**


**Vans at the Heathrow depot of Federal Express, the parcels delivery company.**




**Mothercare trailer and box van collects from the company's distribution centre.**

# No other car manufacturer in the world has dealers who give you this.


You could be forgiven a moment's disbelief. No-one guarantees anything for life, do they?

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Suppose you have a four year old Ford and a piston fails. As you might expect, you pay for the repairs.

But when you have that replacement piston fitted by a Ford dealer who operates the Lifetime Guarantee scheme, it will be guaranteed for as long as you keep the car.

If it fails again, you won't have to pay for a new one. Or the labour to fit it.

The Lifetime Guarantee covers literally thousands of Ford and Motorcraft parts.

And most Ford dealers participate in the scheme. When it comes to service, Ford and its dealers have always gone that little bit further.

After all, how much further could you go than a Lifetime Guarantee?

Ford
Service

Volvo (left) remains firmly placed as the heavy-truck market leader, while Ford trucks (right) are now being built and marketed with an Italian connection.

Truck contenders

# It's sell-where-you-can as demand shrinks

COMMERCIAL VEHICLE fleet buyers, as distinct from owner-drivers and small operators of fewer than say 10 trucks or vans, have traditionally shown the strongest allegiance to British manufacturers. The first importers, in the shape of Mercedes-Benz, Scania and Volvo, consciously directed their marketing efforts—in the middle and late 1960s—at small users.

They appealed to the "individual streak"—to the person who wanted something different, and was willing (in times of thriving business activity) to take a gamble on a largely unknown product.

Fleet buying policy is more entrenched, for both practical and "political" reasons. Companies' own workshops have big stocks of parts for their chosen make of truck, along with specialised service tools and equipment, and their fitters are invariably trained to maintain and repair those chassis. It adds up to a considerable commitment, through significant investment, and is not lightly cast aside.

Determination to buy British has also been motivated in big-name companies by a need *to be seen* to be supporting domestic industry.

A truck whose signwriting bears the name of, say, a major supermarket chain is a considerable image creator for the company. If the vehicle is dirty, the consumer who sees it drive by might register misgivings, however unjustly, about the purity of the retailer's food products.

By the same token, if the chassis is imported — as openly proclaimed by the name on the front of the cab—then some existing or would-be customers will react negatively towards the company.

In any case, through the 1970s most of the importers were unwilling to grant the price discounts which, over the years, had come to be taken for granted in big fleet sales, where chassis are ordered regularly as part of established replacement programmes, often in batches of 50, 100 or more.

However, the shrinking world demand for trucks since 1980 has totally altered the domestics versus imported "balance" of the UK market. European and Scandinavian producers are as desperate as their British competitors to sell chassis wherever they can. In the past three or four years the importers have pursued fleet business as vigorously as did Ford, Bedford and Leyland previously.

Just how successful they have been is apparent from the 1986 commercial vehicle registration figures. The effect of foreign competition in securing large fleet orders in the past year has been evident in more devastatingly tangible form than mere statistics.

Bedford and Ford—the two leading UK producers of middleweight trucks for 30 years or more—have, as individual manufacturers, called it a day. General Motors' is pulling out of trucks altogether; the name Bedford will in future appear only on vans and light chassis. Ford meanwhile has thrown in its lot with Fiat of Italy, through the newly-formed joint company Iveco Ford Truck.

Meanwhile Renault, in the face of fleet sales decimated by overseas competition, is threatening major job losses at its Dunstable plant where Dodge trucks are built. Of the UK manufacturers of middleweight truck chassis, only Leyland Vehicles has managed to retain reasonably buoyant sales volumes.

Leyland's modern Roadrunner and Freighter models have been well received by fleet users. It must also be said that the extent to which the government-backed Rover Group is supporting current Leyland selling prices is a matter of conjecture.

With Bedford gone and Ford—in the perception of many transport directors—now less British than it was, 1986 can be seen as the year when "buying British" as a tenet of fleet policy was largely discarded. Even some local authorities are now specifying imported truck chassis on the grounds of price and quality.

Looking at 1986 Society of Motor Manufacturers and Traders registration figures, the most striking fact is that the overall UK truck and van market remains static, 755,750 vehicles were registered last year—less than 1 per cent down on 1985. But this is little more than coincidence because, in specific weight sectors, (leaving aside domestic/import relative shares) there were dramatic sales changes.

The most startling is the 43 per cent rise, from 4,020 to 5,750, in the number of trucks and vans registered, above 3.5 cwt but below 7.5 tonnes gross, in what hitherto had been considered a low-volume "no man's land" sector, not constrained by weight legislation.

A make-by-make breakdown of the SMMT statistics shows that Mercedes-Benz made the biggest numerical gain in that sector. Its new-generation T2 vans and chassis-cabs went into production during 1986, helping to push up year-end registrations by 54 per cent, from 1,237 to 1,905 units. Meanwhile, Iveco models from Italy nearly doubled their penetration, from 271 to 534 vehicles.

Significantly, a sizable percentage of commercial vehicles in the 3.5-7.5 tonne sector are bought by fleets—typically own-account fleets carrying predictable (and limited) payloads—as well as by local authorities. In 1986 for the first time, Mercedes took the sector leadership, ousting Renault, whose British-built Dodge 50-series models have dominated the sector since 1980.

The only other sector to grow in size in 1986 was eight-wheelers—sales of which are an implied barometer of construction industry activity, because most rigid-eight chassis go into tipper fleets. Registrations rose by 10.3 per cent.

Volvo, whose status as an importer is debatable, because of its plant at Irvine in Scotland (where eight-wheelers and some other models are assembled), wrested sector leadership from Leyland. Their respective 1986 shares were 26.9 and 22.1 per cent.

In the year of a major model change which inevitably disrupted production at its Southampton plant, Ford did well in the new Transit range's weight sector (of non car-derived vans and chassis-cabs up to 3.5 tonnes gross). Its loss in registrations was only 5.7 per cent.

A total of 37,390 Transits went on the road in 1986, to retain a comfortable sector leadership of 32.9 per cent. Freight Rover, in number two position, took just 14.5 per cent.

Of the importers in the up to 3.5-tonne sector, Nissan made the biggest year-on-year gain, from 3,465 registrations in 1985, to 7,115 last year. Spanish-built Ebro Trade vans helped to augment Nissan sales to levels which would not otherwise be possible under UK-Japan sales agreements.

Registrations of the heaviest articulated tractors fell by 2.5 per cent in 1986, reflecting in part the need for fewer heavy trucks to carry a given tonnage of freight, following the legal 1983 weight limit increase from 32.5 to 38 tonnes.

Volvo maintained its now well-entrenched market leadership in heavy "artics" of 29 tonnes-plus, though with a market share down from 18.8 to 18.5 per cent. DAF from the Netherlands held on easily to second place (14.6 per cent) with Scania from Sweden (14.4 per cent) close behind.

Leyland leads the domestic producers, with 11 per cent (but in fourth place overall)—exactly the same number (1,355) of heavy tractors was registered in 1985 as 1986.

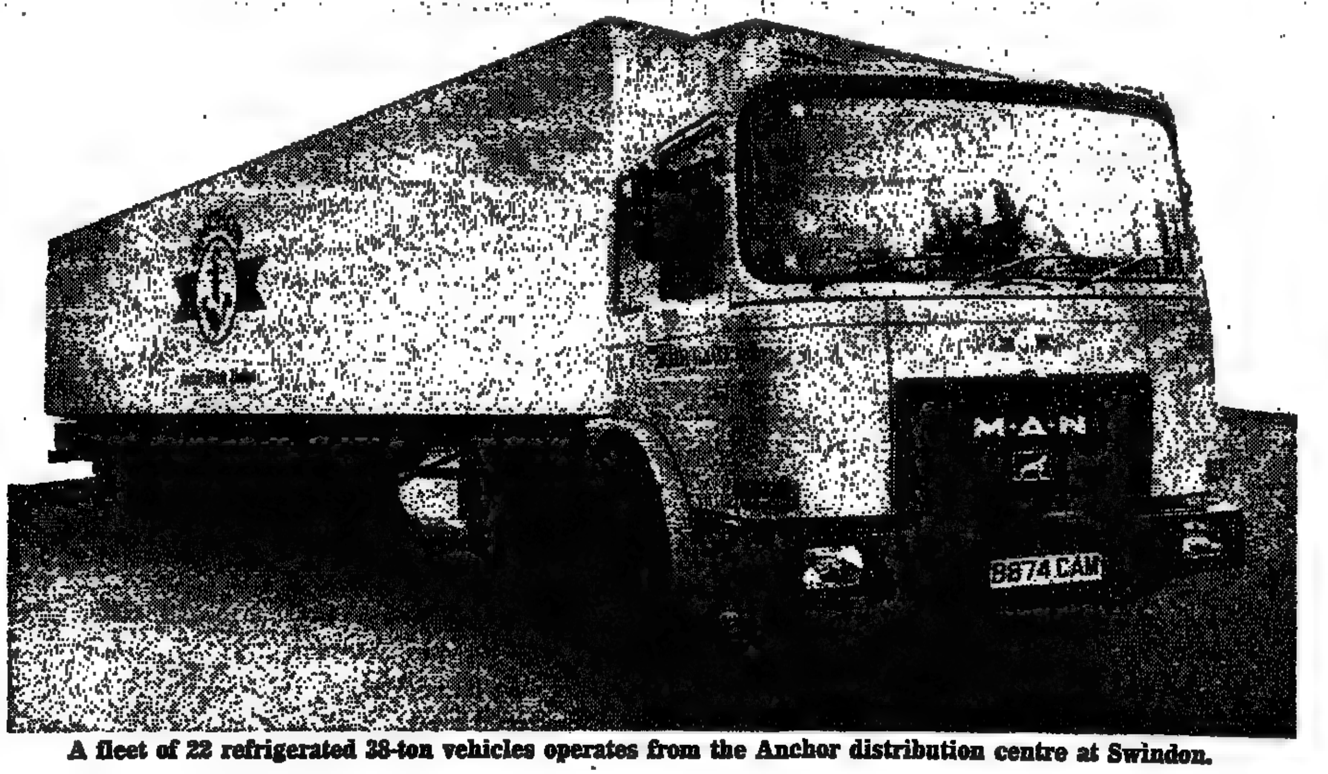
Significant losers in the heavy artic sector in 1986 included Iveco (registrations down 26.1 per cent) matched by a comparable gain (25.6 per cent) from MAN of Germany.

Among UK-based chassis manufacturers, Spanish-owned Seddon Atkinson lost market share (registrations down 17 per cent to 655 units), while Foden, a subsidiary of the US Paccar group, staged a 37 per cent recovery, to register 273 chassis.

The all-British ERF did well to maintain its 1985 penetration: 1,176 chassis registered, representing a 9.5 per cent market share, only just behind Leyland and Mercedes-Benz.

**Alan Bunting**







A fleet of 22 refrigerated 38-ton vehicles operates from the Anchor distribution centre at Swindon.

Profile: Anchor Foods

# Rapid delivery keeps shelf-life down

IT IS often said that a company's distribution system should be a natural extension of its production facilities. For example, this theory can be seen in practice at the purpose-designed UK storage and distribution centre of Anchor Foods, located just a few yards from the M4 on the Blagrove Industrial Estate at Swindon.

Anchor Foods is a wholly-owned subsidiary of the New Zealand Dairy Board and its Swindon location handles all the UK distribution of its butter and cheese products. Bulk materials arrive at Swindon in containers by rail from Tilbury and are put in a refrigerated warehouse which has capacity for more than 20,000 tonnes. (There is also a 2,000-tonne capacity chilled storage facility.)

All packaging for the UK market is handled at Swindon with consignments made up into pallet loads for distribution to about 1,600 wholesalers and "cash and carrys" nationwide—there are no high street deliveries.

New Zealand-sourced butter and cheese accounts for some 80 per cent of throughput at the Swindon centre: the remaining 20 per cent comprises products from European Community countries such as savoury butters, aerosol creams, butter for blending, milk and cream portions.

To handle deliveries to wholesalers, all served on a weekly basis, Anchor operates 22 refrigerated 38-ton articulated vehicles (largely three-axle MANs, hauling three-axle Gray and Adams-bodied semi-trailers) and three 24-ton fully-refrigerated six-wheeler rigid vehicles.

Keith Child, the transport manager, points out that wholesalers and cash and carry companies do not want to keep stock on the shelves for long periods, they haven't the storage capacity and there is, of course, the question of product shelf life.

The Swindon facility operates as the control point in what resembles a vast "conveyor belt" from New Zealand to the UK wholesaler. To ensure that requirements are met, the Swindon warehouse runs a 24-hour loading operation and a 48-hour ordering basis from placing the order to delivery, fulfilling customer requirements ranging from 20 pallet loads (a full load for a 38-tonne articulated vehicle down to half pallet loads.

Extensive use is made of computer systems to weigh orders as well as calculate gross vehicle weights and numbers of pallets to ensure that the target of 97 per cent of fully-loaded vehicle operation is achieved. The system includes other functions such as inventory management, order-processing, invoicing and load notes.

Although 80 per cent of the work is pre-planned in this way, there is a need for flexibility, with the remaining 20 per cent having to be left to load-planners. This is dictated by the variation in load content, notably the disparity in weights between say, butter, which weighs 1,000kg per pallet load, and aerosol creams weighing 300kg.

Orders are pre-assembled on GKN Shep wooden pallets, then stretch wrapped to secure them to the base, and loaded by pallet trucks; hand-operated pallet carriers, needed for unloading, are carried on the vehicles.

All vehicles operate to specific areas with the longer journeys scheduled for drivers to be away two days from base. Those journeys that can be completed in a day are divided into two groups—bulk drops (ie one delivery) and multi-drops (up to 16 deliveries).

Two-day journeys are classified as long distance, but split into a similar way between bulk and multi-drop deliveries. Route-planning is geared to the four types of operation with the timing of journeys being the critical factor. The unknown elements and the biggest operational problems are delays at delivery points.

Maximum productivity is a main aim of the transport operation at Anchor Foods. To achieve this with a road transport fleet, a driver productivity scheme is operated. This centres on drivers' work being divided into two parts—driving and non-driving activities. Driving work is measured by a number representing the average speed of the vehicle in an accounting month. Non-driving consists of time spent on all duties other than driving (including rest breaks) and this number is divided by the number of deliveries made. The average speed is then divided by the time taken for each delivery which, in turn, gives a single number grading.

An average is calculated from all drivers and the operation of any driver whose work deviates by plus or minus 10 from the fleet average is carefully reviewed. The circumstances may well be that the driver was outside the average because his work that month consisted, say, of multi-drop deliveries in the London area.

Mr Child emphasises that it is primarily in delivery times that performance can be improved. The system, he stresses, does not encourage speeding since tachographs are monitored very closely. All drivers receive a copy of the monthly productivity report which tells them which of them have been the most efficient in that period.

**Eric Gibbins**

Contract Distribution

# Retail multiples call the tune

NOT LONG ago it was possible to identify the owner of a vehicle distribution fleet by the name of the retail consortium or manufacturer emblazoned on the side. That is changing fast, however, as contract distribution expands rapidly in response to a revolution in the economics of retailing.

The vehicles look much the same, and they usually carry the same names on the bodywork. But the owners are increasingly *likely to be distribution specialists offering a tailored service to* customers who do not have the expertise or the capital to do the job themselves.

The cause of the change is a shift of control in retailing away from suppliers and towards retailers as the major multiples exercise the bargaining power inherent in their overwhelming share of the market.

The market is still developing, but industry estimates indicate that the multiples now account for up to 75 per cent of retail sales, giving them an influence over distribution services which they have not been slow to use.

The course chosen by most of the multiples has been the development of centralised supply arrangements built around the concept of consolidation warehouses. These require deliveries of bulk supplies to central distribution centres from which individual stores can be supplied.

As an indication of the bargaining power conferred on the multiples by these arrangements, it is estimated that up to 40 per cent of all goods sold in the UK now pass through the centralised distribution centres of the top eight multiple retailers. This is expected to increase to between 45 and 50 per cent within the next two years.

This development has meant that manufacturers have had to reorganise their own distribution arrangements as the usefulness of their own networks of depots has declined.

As a result, the high fixed costs and investment requirements of distribution operations have become increasingly unattractive, leading to the growth of specialist companies operating

a number of parallel distribution networks on behalf of both manufacturers and retailers.

Manufacturing companies in particular faced a stark choice: either to withdraw from operating their own distribution networks, as Unilever did when it sold its SPD subsidiary to National Freight Consortium, or to develop the business as a common carrier, offering specialised services to other manufacturers.

This was the course chosen by United Dairies, United Biscuits, and Reckitt and Colman, whose vehicle fleets now carry the goods of other manufacturers, particularly those in similar fields of operation.

Express Dairies also chose this course in offering distribution to supermarket outlets, while Geest successfully marketed their expertise and experience in transporting produce.

Similarly, independent companies such as Longton, Christian Salvesen and Peter Lane also entered the market as they saw an area in which they could offer a service.

What these companies have in common is that they offer distribution facilities on the basis of common use of their fleets and other infrastructure, relying on economies of scale to offer reduced costs to customers.

The big national distribution companies, such as NFC and Transport Development Group also offer dedicated services, *which means that they supply a* complete distribution operation tailored to the requirements of individual customers.

Dedicated contracts usually involve the provision of all management services associated with the customer's distribution requirements, and often incorporate computer ordering and stock control systems, supplied either by the customer or the distribution company.

Dedicated contracts have the advantage for both retailers and manufacturers of offering tailor-made services and a large measure of control of distribution, while relieving the customers of the problems of day-to-day management.

Customers also gain from the distribution company's willingness, in many cases, to provide the capital for vehicles, trailers, plant, equipment and computer services, as well as new warehousing facilities.

The reason for this is that distribution specialists tend to be satisfied with a lower return on capital investment than manufacturers and retailers, who can often allocate capital to areas of higher return in their main areas of business.

There are also considerable gains to be made by customers in the reduction of management time required to exercise day-to-day control of distribution operations.

For retailers in particular, contract distribution offers the opportunity to integrate distribution, stock control and reordering procedures into one system, encompassing the buying office, distribution and store sites.

*Improved efficiency* from better planned distribution can also lead to better stock control and more flexible allocation between stores, which increases the availability of individual lines.

Perhaps the most important benefit is a reduction in the stockholding which is necessary, since goods are held at a central point rather than at the point of sale. This means less congestion at stores as the dedicated distribution fleet makes timed, consolidated deliveries.

The benefits of the system are summed up by Mr David Quarmby, director of distribution for Sainsbury's, one of the companies most advanced in the use of contract distribution.

"With contract distribution we are able to control what goes on in our contract warehouses every bit as closely as we are able to control what goes on in the Sainsbury's-owned warehouses.

"They have all got computer systems, and we can sit at our screens in head office and interrogate them irrespective of whether it is a contract depot or a Sainsbury's depot," he says.

Mr Quarmby says the switch by retailers into the use of contract distribution has created "a real market place in distribution services."

He adds: "We are basically food retailers. We are very successful at that. We get a better return on the pounds we spend on developing supermarkets than we do on money put into warehouses."

Outside the major retailers and their suppliers, the available evidence indicates that *there are still major savings to* be made from efficient distribution systems.

Distribution is estimated to account for up to 20 per cent of the value of finished goods at the point of sale—yet there are still many companies which appear not to have given serious thought to the savings available.

A survey carried out by the consultants Central Management Services indicates that industry as a whole is wasting more than £5bn a year through inefficient distribution.

Mr Donald Morton, managing director of CMS, said some companies had been able to save 30 per cent of their distribution costs by taking a careful look at their own requirements.

"From industry figures and our own experience over the past 10 years, we believe that an average of almost 9 per cent of *total distribution costs*, which are currently running at over £9bn a year, are being wasted," Mr Morton said.

These conclusions were supported by a survey carried out by KAE Development for Lowefield Distribution, which indicated that many companies had yet to realise the benefits of planned and integrated distribution.

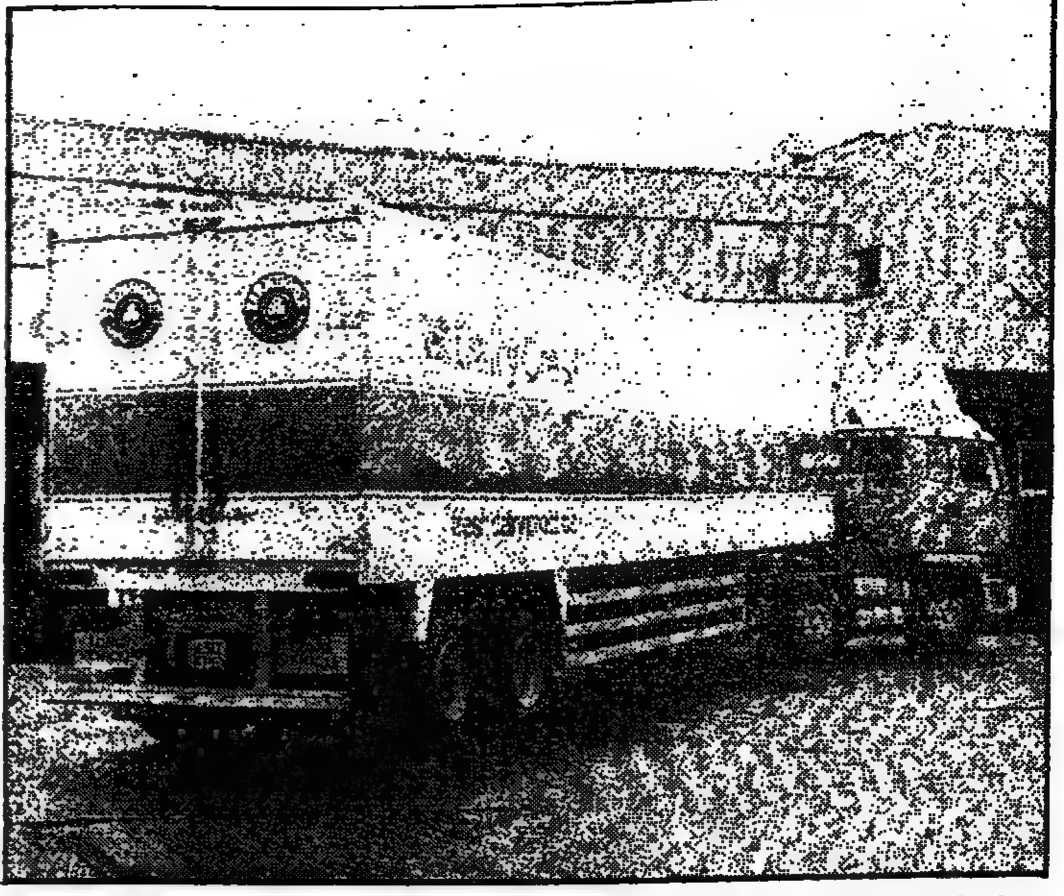
KAE's report, based on a survey of about 80 companies in the food, confectionary, drinks and household goods sectors, concluded that there was no common approach to distribution problems.

Some companies had made no efforts to systemise their requirements, while others had given the subject only cursory attention.

The most successful companies in the field, however, had made great efforts to tailor distribution to their own requirements, and many had achieved complete logistics control.

The experience of the major retailers and manufacturers indicates how significant savings can be made. The results of the CMS and KAE surveys show that there is still plenty of scope for improvements and expansion in the distribution industry as a whole.

**Kevin Brown**



**Five-axle artic in service for delivering dairy produce. Such vehicles are increasingly likely to belong to distribution specialists rather than retailers as control of distribution shifts further away from the manufacturers. Close liaison enables the system to be closely controlled.**





Profile: English China Clays

# How the hire option won the day

A MINIMUM 5 per cent improvement in road transport productivity is the aim of a plan just put into operation in Cornwall at English China Clays.

It affects ECC Ports of Par, a wholly-owned subsidiary of ECC International and particularly the operating section which within this company is called "Clay to FOB." This controls the movement of china clay from storage to ships at Par, Fowey and Victoria Dock, Plymouth for export.

ECC until recently financed the purchase of its vehicles out of its own funds. With recent changes in the tax laws, particularly the phasing out of capital allowances, however, the group decided that all subsidiary compaines which needed vehicles should look at contract hire.

Allan Ironside, director and general manager of EEC Ports, saw the possibility of making other changes at the same time. For a while he wanted to take advantage of the higher load-carrying potential offered by maximum capacity articulated vehicles, compared with the rigid eight-wheelers run at that time (38 tonnes instead of 32 tonnes).

He also saw that the existing fleet was wasteful of resources because it was using rigids for bulk movement but artics with tank semi-trailer for movements of clay in slurry from and drop-side trailers for bagged loads. An all articulated vehicle fleet would be more flexible and offer a possible fleet reduction.

The arguments for change, taken together, all pointed to use of contract hire. The group was also won over by the argument that, by using a contract hire facility, ECC's money would remain available for investment on the Group's principal business activities.

Accordingly, the facilities offered by contract hire specialists were evaluated. The decision was taken to make the change and British Road Services was chosen.

Under the contract, which is for six years, BRS Western is supplying 27 powered vehicles, 17 of which are new Volvo FL10 4 x 2 tractor units. There are to be used with 14 tipping tri-axle semi-trailers fitted with Easy Sheet automatic load sheets and 24 tri-axle flatbed trailers.

There are, in addition, a number of relatively new vehicles which BRS has bought from Heavy Transport, ECC's transport company which are lured back and used for agreed periods. These include eight Foden rigid eight-wheelers which are to be retained for two years; two ERF 4 x 2 tractors to be retained for four years; three large tank trailers to be retained for six years; and five smaller tank trailers for two years.

The deal with BRS is unusual in that it provided for a subsidiary contract to be signed by BRS for maintenance of the vehicles to be handled by Heavy Transport's workshop at Par Habour. The fact that BRS was prepared to be sufficiently flexible to agree to this, was a factor in the company getting the vehicles contract.

The contract with BRS provides for ECC to supply the drivers and because the latter have all driven eight-wheeled rigids in the past, a driver re-training programme, to convert them to HGV class 1 driving holders, is in operation. This is partly why some of the eight-wheelers have been retained to permit the change-over programme to be completed.

Huge quantities of china clay have to be moved under the contract. Last year 2m tonnes were handled through Par and Fowey and a further 200,000 tonnes through Plymouth with roughly two thirds of it moved by the road fleet. It is mainly short distance work with about 1m tonnes a year being moved on ECC's own roads, notably on the road (formerly a railway line) link between Par and Fowey.

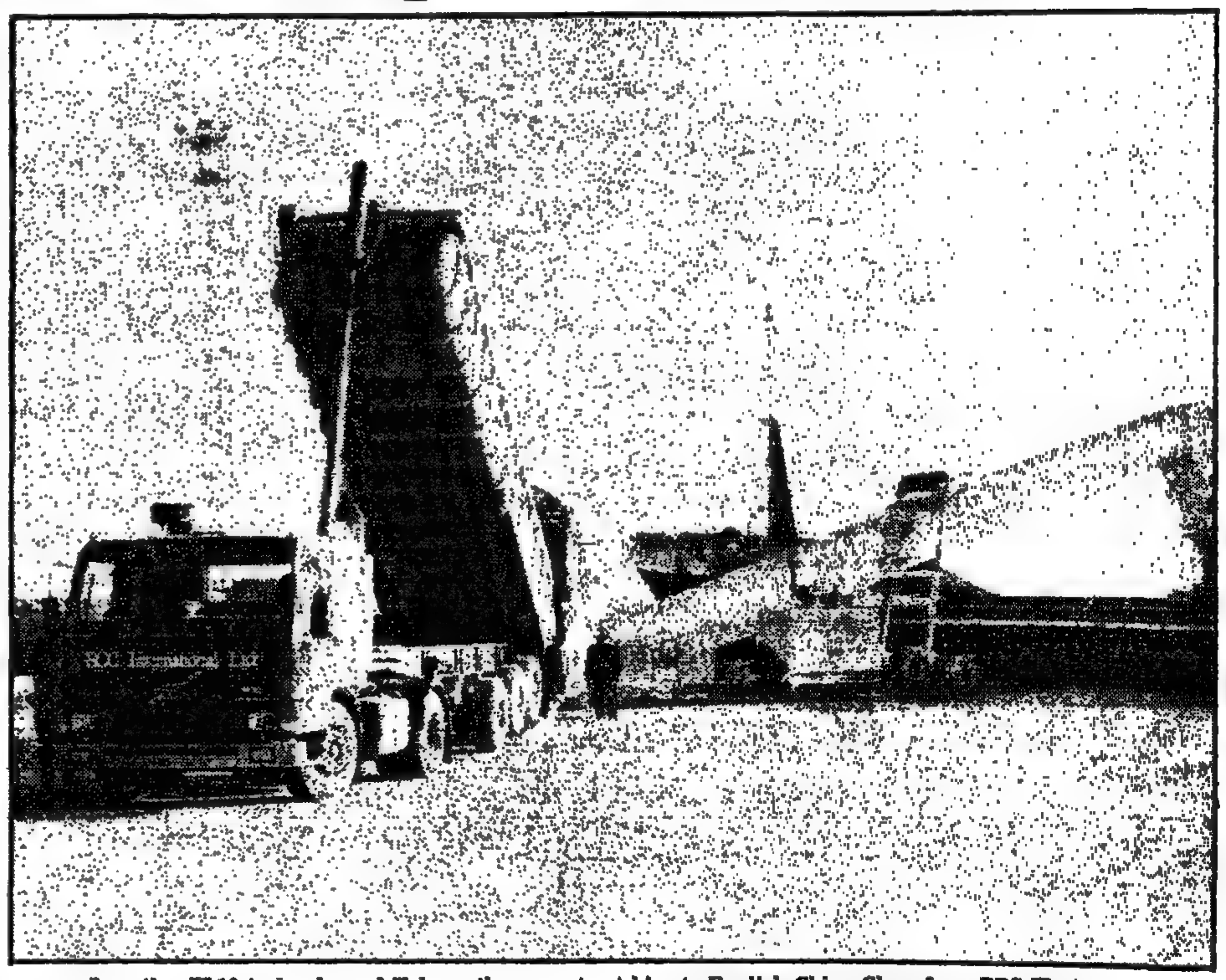
This use of private roads generated as further consideration in the purchase of the vehicles. The Volvo FL10s are designed to operate at 44 tonnes gross weight (as opposed to the UK legel maximum on normal roads of 38 tonnes). Accordingly, they can run at this weight between Par and Fowey.

A further factor is that if run exclusively on private roads, the vehicles do not have to be taxed. Some, therefore, may in due course be delicensed to save substantially on road tax.

The significance of this contract is perhaps underlined by two facts; that this is ECC's first venture into this area, and that the group has been operating several hundred vehicles of its own for many years and is, itself, a significant force in road transport.

The move by ECC is in a sense typical of the approach of more far-seeing companies with regard to transport where, increasingly, they are looking seriously at the merits of contract hire. In this particular instance, the capital outlay on just one Volvo FL10 tractor and tipping trailer is £50,000 so the total capital outlay on the fleet obviously runs well into seven figures; a strong argument surely for any company to consider the hire option.

**Eric Gibbins**



**In action FL10 turbo-charged Volvo artic on contract hire to English China Clays from BRS Western**

Profile: GUS Transport

# External market expands

GUS TRANSPORT, a subsidiary of Great Universal Stores, has been managing one of the largest in-company fleets for nearly 40 years. The company has decided over the past two years to base future expansion on supplying the whole range of its transport services to the external market.

Great Universal Stores has widespread interests in retailing, financial services, banking and property, and over 40 per cent of the UK catalogue order market. This mix of business has imposed a variety of demands for transport and distribution service.

GUS group policy insists that any in-house services supplied must provide financial and operational advantages measured against competition. Its success in meeting these demands has resulted in steady growth to a position in the top rank of UK transport operations.

The company now operates some 2,000 parcel delivery vans in the White Arrow fleet, supported by a large number of trunking vehicles. Its general haulage division also operates a fleet of heavy vehicles on specialist and dedicated services. In addition, there is a fleet of 3,500 cars and light vans supplied to group companies on contract hire.

GUS Transport now operates from more than 40 multi-purpose depots throughout the UK and plans for a further four distribution depots to be commissioned during 1987 are well advanced.

Its services will be supplied to the external market under the White Arrow brand name, starting initially with parcels services. White Arrow is already building up a substantial business in household deliveries where its traditional strength lies, while there are plans to develop the business-to-business sector.

The company expects the momentum to increase during the coming year and is installing sophisticated parcel tracking systems to meet expected demands for greater control in bulk parcels distribution.

The next significant area of expansion is in the fast-growing contract hire market. Based on its experience in fleet management, GUS will shortly launch White Arrow Contract Hire, initially for cars and light vans, making use of its nationwide network of maintenance depots, together with its well developed computer systems and extensive database.

This service will be a joint venture with General Guarantee Corporation, also part of the GUS Group, and one of the UK's major consumer and finance houses.

"With the majority of company car fleets still purchased outright, and the boost to contract hire given by SSAP21, we feel there is ample room for further growth over the next few years," says John Abberley, GUS Transport's managing director. "Our particular strength is in being able to offer a complete hire package including maintenance, on a national basis for any make or model."

In the first two years, White Arrow Contract Hire sees its market penetration being mainly in the medium-size fleet sector, while it will turn its attention to heavy vehicles once its presence in the light vehicle sector is established.

"We have targeted the medium-size company fleet because it is there that geographical dispersal presents special headaches for maintenance and ongoing support. These companies are by and large experiencing increases in fleet administration costs, but are reluctant to sacrifice any flexibility in user choice or maintenance options.

"We believe we have a tailor-made package to fit these requirements," Mr Abberley says.

**Alastair Guild**

Trailers

# Higher profit from costlier units

TAKING THE commercial vehicle market as a barometer of industrial activity in Britain, trailer sales volumes confirm the trend in truck registrations to suggest that the climb out of recession has now hit a plateau.

Annual sales of articulated semi-trailers and of drawbar trailers for use behind trucks of more than 7.5 tonnes gross, taken together, have levelled out at about 9,500 units a year—which compares with some 18,000 in the boom year of 1979.

Because trailers do not bear vehicle excise duty and as such are not registered by the Department of Transport, no official statistics are held at the Swansea Licensing Centre. But through the auspices of the Commercial Trailer Association (CTA), formed in 1980 by leading UK manufacturers, voluntary declarations are made of production volumes.

Major producers such as Crane Fruehauf, York, Craven-Tasker and a number of smaller specialist trailer manufacturers belong to the CTA, and furnish annual output statistics. Some of the lesser-known trailer builders do not contribute information, having declined CTA membership.

Numbers compiled by the association are adjusted accordingly, to within a confidently-claimed accuracy of plus-or-minus 5 per cent. Since 1984, annual trailer sales in Britain have hovered between 9,000 and 10,000. The total for 1987 is projected to fall within the same band.

Mr Jim Davies, current president of the CTA and managing director of York Trailer, nevertheless predicts a significant upturn in demand over the next five years, as older trailers now in service are replaced. The current UK trailer park is put at some 230,000 units, though declining to some degree because of the increase in heavy truck weights.

Until May 1983, it took *five* max'mum-weight artics to move 100 tonnes of freight. The uplift in allowable gross weight from 32.5 to 38 tonnes which was implemented at that time now enables the same amount of cargo to be carried on only *four* tractor/semi-trailer combinations.

To sustain a park of 200,000 trailers with an average operating life of between 12 and 15 years means annual sales of 13,000 to 17,000 units in replacement business alone, Mr Davies points out.

Though higher truck weights have reduced the number of semi-trailers needed by the transport industry, for the manufacturers the necessarily heavier payload capacity of individual units now being ordered has been a compensation. The majority of semi-trailers now being commissioned for top-weight (38 tonne) artic operation have three axles rather than the two specified under previous weight legislation.

Today's trailers are thus more expensive, have a greater added-value content and offer more profit potential than their lighter-duty predecessors. Trailers have, in any case, become more technically sophisticated in the last decade. As a result the average price has risen from about £5,000 in 1980 to more than £11,000 today.

Advancing technology and the decline of primary industries, like steel manufacture and heavy engineering, have prompted an inevitable move away from the simple flat platform trailers which were traditionally bought in large numbers by haulage companies.

Computers and other high value products being moved by road in the late 1980s need in-transit protection from damage, from theft or pilferage, and from the elements. As a result about 95 per cent of trailers now have fully-enclosed bodywork, compared with some 65 per cent in 1980. Sales of van trailers, typically with rear access only, have risen steadily as a proportion of the overall market.

More significantly, demand for enclosed trailers with full side-access (for fork-lift-truck loading/unloading) has soared. The most popular configuration for side-loading is the curtain-sider, with specialists like Boalloy, Southfields and Lawrence David as the dominant suppliers.

In many applications PVC curtains serve to restrain the load as well as affording weather and security protection. Their versatility has been further extended with the development of insulating curtains, enabling chilled foodstuffs to be carried.

Controlled temperature transport has assumed new importance for trailer makers in recent years. This is due in part to the growth of food exports and imports—with big "reefer" artics carrying typically Scottish beef on outward journeys and Mediterranean fruit produce on return runs.

At the same time tougher competition between major food retailers such as Sainsburys and Marks and Spencer—each vying to achieve higher standards of product freshness—has led to distribution specialists switching from ambient to controlled-temperature operation. Where they previously bought low-cost "dry-freight" van trailers, they now order 70 to 80 per cent more expensive insulated/refrigerated models.

In 1988 about 750 reefer trailers were sold in Britain, reckons the CTA, although the figures are less precise than for other categories, because of the effect of imports. Lamberet and *Trailor from France* have achieved a 25 per cent penetration of the UK fridge trailer market, thanks to demonstrated product pluses.

York is now building French-designed reefers under licence at a new plant in Co. Durham, which is helping to keep imports at bay. A recent 80mm (3in) increase in permitted width on refrigerated trucks has also stimulated sales to some extent, though the CTA sees annual production remaining below 1,000 units.

Compared with a truck chassis, even the more specialised trailers (other than those for ultra-heavy loads) are simple low-technology products. In relation to their cost, they are heavy, bulky and consequently expensive to ship across Europe as new products. For that reason import penetration is never likely to approach the 42.4 per cent level obtaining in the truck market.

During the depth of the recession in 1980-81 trailer demand was hit even more severely than the truck business. A number of smaller suppliers succumbed. Even York—then, as now, number 2 in the market—came perilously close to extinction, before eventually being acquired by the United Parcels group—now a subsidiary of the multi-national Bunzl Corporation.

Crane Fruehauf, the market leader, implemented major cutbacks. Its American parent, the Fruehauf Corporation, has itself undergone major upheavals, culminating in the US equivalent of a management buy-out.

Craven-Tasker meanwhile, after closing one of its main plants at Andover, Hants., has undergone a change of ownership. On July 1 last year, its parent, John Brown shipbuilding group, was acquired by Trafalgar House though Craven says its day-to-day operations have remained undisturbed.

During the trailer industry's crisis period in the early 1980s, the percentage market shares of different manufacturers became erratic. The pattern is now more settled with Crane Fruehauf as market leader holding between 27 and 30 per cent.

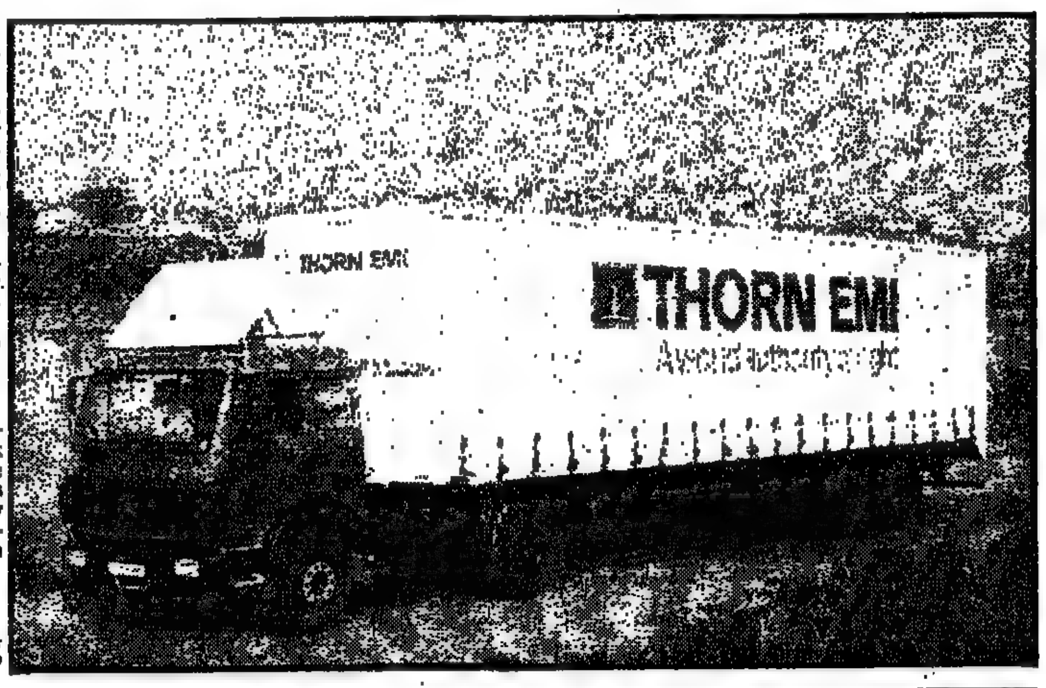
A recent surge of big fleet orders, notably one from Ford Motor Co. for trailers to handle previously railborne components between its European car plants, has enhanced the position of York to give it a market share of between 22 and 24 per cent. Craven-Tasker's share is between 12 and 15 per cent.

Foreign components account for an increasing technical content in UK-built trailers and related equipment, chiefly with higher-technology items such as air-suspension from SAF and BPW from Germany and Weweler from Holland.

British companies like Rubery-Owen-Rockwell and York earn valuable export revenue from UK-made components used, in the main, on heavy-duty trailers for Third World markets, assembled locally or in mainland Europe.

**Alan Bunting**

Above: a new York trailer for six-axle operation. Below: curtain-sided trailers need no sheeting and speed turnround.



Profile: Bristol City Transport Services

# Success of move to go 'commercial'

WHEN THE city of Bristol decided in 1982 to form a single transport organisation, rather than let a number of separate parts of the authority look after their own transport needs, it made a bold and, at the time, unusual move.

The organisation took the title "Bristol City Transport Services." It describes itself as a non-statutory, direct-labour organisation to provide a transport and plant service, both to the City and to other public authorities. It is operated as far as possible as though it were a commercial company.

As Mr Eddie Farley, who was brought in as general manager to set up and manage the organisation, comments: "The whole operation is operated as though it is a contract hire concern, each contract being run individually with each one costed and charged individually."

Because its parent is a local authority, the organisation is, however, debarred from selling its services to the public generally and to commercial organisations—thus, its wings are considerably clipped.

Describing what Bristol City Transport Services has to offer, Mr Farley says it is in the business of solving customers' problems relating to the specification, acquisition, repair and maintenance of all types of vehicle, plant and equipment required by local government, national authorities and public utilities, including the provision of such facilities on short-term rental and long-term contract.

Financial targets are modest; the aim is to secure a 5 per cent return on the capital employed. This is in line with direct labour organisation requirements and the Planning and Land Act, 1980.

Mr Farley stresses the organisation's clear dedication to public service. It has four divisions each set up on business lines, each operated as a profit centre.

Initially, this meant a reduction in the size of the workforce but this is now expanding slightly because of a steady increase in work and turnover which has grown from £3m to £5.5m in less than five years. Contracts with other public bodies include the Avon Ambulance Authority and the Bristol and Weston Health Authority. The value of such contracts has moved from an initial 3 per cent to today's level of 12 per cent of turnover.

One of the main reasons for setting up this organisation was the realisation that the city had extensive assets in terms of both equipment and employee skills in the transport sector which it felt could be better used. Until 1982, the organisation was part of the city engineer's department (transport and plant section), when it became an autonomous unit reporting directly to the city's chief executive officer with a reporting function to the city treasurer.

As already indicated, the organisation is split into four sections: the transport contracts division; works service division; parts division; and the plant services division. Each division is complementary to the others as some inter-trading occurs, but each has its own specialities.

**'Solving customers' problems relating to the specification, acquisition, repair and maintenance of all types of vehicle, plant and equipment required by local government, national authorities and public utilities.'**

The biggest is the transport contracts division which operates the city's vehicles on the same sort of basis as a contract hire company runs a fleet of vehicles for a customer on long-term contracts. Utilisation is increased throughout the operation of a rental fleet arrangement for neighbouring county and district councils, according to their demand. Facilities include a driving school where an individual or group can be trained from basics through to full HGV class 1 standard. Fork lift truck operator training is also offered.

A total of 33 craftsmen are employed by the workshop services division which maintains and repairs any vehicle from passenger saloon cars to rigid 8 by 4 tippers and articulated vehicles.

In addition to providing maintenance services for the city's own vehicles, this division operates maintenance contracts for a number of customers including the Bristol and Weston health Authority, Wessex Water Authority and Bristol Community Transport.

An MOT test station is operated, but while this can provide test facilities for the public, no repairs can be undertaken because of the provisions of the Goods and Services Act 1970 which prevents local authorities providing such commercial facilities.

Bodybuilding and vehicle painting facilities are among the services offered by the plant services division which has also to cope with the maintenance and full repair of all land maintenance equipment from agricultural tractors to mowers, and all kinds of construction equipment including loading shovels, compressors, vibrating rollers, and hydraulic towers.

Finally, the parts division provides a spare part and material supply service for the two workshop divisions and a retail parts facility to other public authorities.

All four divisions are operated from the organisation's main site in Albert Road, Bristol, where a Wang 2200 mini computer is located in the financial section to provide day-to-day control of a number of functions. The computer enables each department to operate as a profit centre, producing management accounts on a four-weekly basis, but with each having access to all information available in the system.

The Institute of Road Transport Engineers' vehicle maintenance reporting standards (VMRS) forms the bedrock of the software systems used. In this, vehicles, parts and jobs are coded numerically to enable vehicle history records to be fully computerised. Moreover, the recent development of a new edition of VMRS means that it will be possible for many pieces of plant equipment operated by local government to be added to the system.

The VMRS system permits all maintenance and service tasks to be monitored which, of course, is very useful in revealing such things as fault patterns and wear rates.

In addition, no less than 200 different cost features are built into the fleet costing program which permits operating costs to be analysed in an extensive number of ways. For example, spare parts control includes costing and pricing of parts, and again fleet operations can be costed and priced.

Mr Farley notes that the Queen's Speech in November indicated that legislation was envisaged which would require councils to seek competitive tenders for a number of services, including vehicle maintenance, refuse collection and land maintenance. He points out that Bristol Transport Services are organised to offer other authorities a full service geared to local authority requirements. He adds a sales pitch—"There is no learning curve, the service is available and of the right quality."

**Eric Gibbins**

General manager Eddie Farley of Bristol Transport Services which operates on the lines of a commercial company.

Profile: British Home Stores

# Strong emphasis on control

ARE LARGE retailers better off owning their fleet or hiring it? The question, though often posed, rather misses the point, according to John Roberson, divisional controller for distribution of British Home Stores.

"The prime consideration is to control and co-ordinate the business," he says. "It's secondary whether you do it yourself or use outside contractors."

With more than 14m boxes of goods to deliver each year to 128 branches across the UK, it is not surprising that British Home Stores' transport division should be preoccupied with control.

Their key to coming up with the goods is to have a single national distribution centre located in the heart of England—at Atherstone, Warwickshire—and to rely on a mixture of outside specialists to transport goods from the suppliers to the centre and on to the stores.

"We do look from time to time at having our own fleet," Mr Roberson says. "But there's the financial question of whether to tie up your capital in vehicles or to open up another store.

"These things are never black and white. But overall we think that our interests are best served by going down the other road, as long as there are people willing to do a very good service for us at reasonable rates."

Those people, in the case of BHS, are Christian Salvesen, the food distribution and industrial services group, and TNT, the Australian-based freight company.

BHS retained its separate transport operation after its merger with Habitat/Mothercare into Sir Terence Conran's Storehouse group in early 1986. The two fleets it runs are dictated by its separate requirements for ready boxed goods and hanging garments.

Christian Salvesen provides a dedicated fleet—exclusive to BHS—for boxed goods. The arrangement dates back to the late 1960s and the fleet now comprises about 50 vehicles and a pool of 70 to 80 33-ft trailers.

The trucks are in the company's colours and over the next couple of months will be changing to the new, brighter scheme introduced as part of the BHS facelift which followed the merger.

The second fleet has been run for the last three to four years by TNT Garment Express, a division of TNT, which acts as a nominated carrier for BHS and can thus transport other

Continued on Page 17


One of Taunton's curtain-sided articulated trucks on a delivery run

Profile: Taunton Cider

# Radical change in transport needs

DISTRIBUTION management at Taunton Cider has had the happy task of coping with steadily rising cider sales in recent years. However, with a *strong swing from bottled to* draught cider and changes in drinking habits nationally, transport requirements have changed radically.

The product and its sales success—or otherwise—dictates the transport requirement of a drinks company such as Taunton Cider. From the launch of the company's Dry Blackthorn brand in 1972, the sales graph reveals a steady upward trend.

*As the company comments:* "From the launch of Blackthorn, the company's fortunes marched forward." It recalls that between 1972 and 1975, the cider market grew in Britain from 32m to 38m gallons a year; that the extremely hot summer of 1976 boosted cider sales even more, with the demand for Taunton Cider brands taking the company's market share from 15 to 18 per cent. Its share of the draught business almost doubled from 13 to 24 per cent.

This increase in demand meant the expansion of both production and distribution facilities in Somerset at the company's cider-making plant at Norton Fitzwarren.

The increase in cider-drinking caused the Chancellor of the Exchequer to impose excise tax on cider for the first time. Cider sales plateaued nationally at around 47m gallons over the period from 1977 to 1981. Taunton Cider points out, however, that its share in this period rose to 40 per cent, with Dry Blackthorn the fastest-growing draught cider brand in the UK.

In 1986 the company claimed 30 per cent of a national market, running at 64m gallons a year. Of this total, 45 per cent of sale are of draught cider, a percentage which compares with 18 per cent in 1981.

*Alongside the trend among* customers to drink draught cider, rather than the bottled product, has been a marked change in the geographical pattern of cider drinking which also has had a significant impact on distribution requirements. *At one time,* cider sales were heavily concentrated in the South West, with patchy markets in other regions. Although the South West still predominates, a third of Taunton Cider's sales are now in the North of England and Scotland.

These market patterns have determined the shape of Taunton Cider's transport operations. As Mr Neil Rixon, the company's distribution manager comments, transport operations are geared totally to satisfying customer requirements, with operational costs the next most important factor.

Operations are divided into two areas—primary and secondary distribution.

Primary distribution—full loads over long distances—is handled by the company's own road vehicles and rail wagons, with the latter using its own factory-linked rail connection to the main line running through Taunton.

Ten years ago Taunton Cider ran 24 32-ton articulated vehicles on long distance work but the change in the law to permit operation at 38 tonnes, coupled with the use of rail for long hauls (hingeing on the establishment of the company's own siding connection and rail wagons), has permitted a road fleet reduction to 11 vehicles.

At one time, the trunk road fleet, based at Norton Fitzwarren, handled all long-distance primary distribution but, as the market developed in Scotland and the North, a pilot rail scheme was instituted. The results were so good over a three-year trial period that use of rail with dedicated, purpose-built rail wagons forms a main feature of Taunton Cider's distribution function. It permits overnight deliveries to Scotland which would not be feasible with the road fleet. There are obvious environmental benefits too.

Mr Rixon points out that the economic factors in road-versus-rail are constantly under review to ensure maximum productivity of the distribution operation.

In the same way, road vehicle economics are scutinised closely and Taunton Cider was one of the first companies to replace its 32-ton artics with 38-tonners. These are all Leyland two-axle tractors with three-axle curtain-sided trailers, fitted with air suspension equipment.

Neil Rixon stresses the responsible attitude taken towards operation of vehicles of this size, with planned times for all journeys which are closely monitored, subsequently by close checks on vehicle tachographs. Conscious of keeping within the law at all times and the "image" of heavy transport, it is a company rule that 60 mph is not exceeded at any time. There is a bonus of £10 a day paid for keeping within this limit.

For its secondary distribution, Taunton Cider relies on specialist retail contractors such as the NFC Distribution depots at Woking, Bristol, Goldbourne near Liverpool, Bradford and South Shields. It also uses the Peter Lane Group facilities at Feltham and Smethwick.

A number of the road vehicles run to interchange points, each located within an eight-hour driving shift of Taunton Cider. These are located at such places as Feltham, Stoke on Trent and Derby where the trailers are unhitched and picked up by secondary distribution vehicles. For example, at Stoke and Derby, the interchange points are British Road Services branches were BRS tractors and drivers handle the final deliveries.

Although contractors are used for secondary distribution, *Taunton Cider exercises total* control over them with the company's own contract distribution manager daily monitoring the operation. These are formal contracts operated on an annual basis, rather than a longer period so as to give the company maximum flexibility. Some vehicles are operated in Taunton Cider's own livery with others multi-user vehicles run in the colours of the distribution company concerned.

Taunton Cider handles all its own secondary distribution activities within a 70-mile radius, using 7.5-ton payload Bedfords. The area in the south west beyond this distance is handled on contract by Inter-County Distribution from Launceston.

Taunton Cider sees increasing use being made of modern aids to distribution management. It already makes extensive use of computers for load-planning, load-summaries, and drivers' documentation including delivery notes. These form components of a software package, developed by the company.

**Eric Gibbins**

Neil Rixon: road versus rail under constant review

# Emphasis on control

Continued from Page 16

customers' goods at the same time. The vehicles used vary according to requirements and availability.

In addition, BHS uses contract hire vans from Transfleet and Charthire to ferry goods between stores and nearby stock rooms.

*The two main commercial* fleets, however, involve far more than a simple contract hire arrangement, says Mr Roberson. Christian Salvesen and TNT supply vehicles and drivers, provide a full maintenance service and replace the trucks when necessary, all in close consultation with BHS transport staff. Mr Roberson regards this liaison as crucial.

Each BHS store receives two daily deliveries—one of boxed goods and one of clothes. Each truck will cover about 75,000 miles a year. Under those conditions, the vehicles have to be replaced every three to five years.

TNT runs a wide range of commercial vehicles, but Christian Salvesen has opted for a Mercedes fleet. The Mercedes trucks have beaten very stiff competition for their reliability, mileage per gallon, resale value and spares service, Mr Roberson says.

His team also takes a close interest in the choice made by the contractors. A great advantage of all the vehicles used by BHS is that they are fitted with hydraulic tail lifts, avoiding unnecessary handling of goods and ensuring they arrive in the stores undamaged and as fast as possible.

The other crucial element in the BHS network is the national distribution centre. With stores *to supply from* Scotland to the far south of England, from Belfast to Dublin, to Jersey (and with franchises in Gibraltar and Qatar in the Gulf), it is essential to look for cost savings.

"You can have a number of different depots or you can go for one simple straightforward solution, a hub operation," Mr Roberson argues. "It may be more miles but it means better vehicle utilisation, better service and controls, by concentrating your volumes down single arteries."

The centre at Atherstone also houses the BHS textile laboratory, which runs quality control tests, and a print operation producing some of the company paperwork. Altogether, about 200 people are employed there, three-quarters on transport, unloading and sorting goods as they arrive from the suppliers and preparing them for delivery to the stores.

When it comes to cost control, the BHS team again pools its knowledge with the contractors' expertise.

Mr Roberson is reluctant to talk about cost figures but he is, however, confident that BHS has made the right choice. "We have a balanced system which is working very well indeed," he says.

**Alison Maitland**

| Top 10 sellers—1986 | | |
|---|---|---|
| 1 | Ford Escort | 156,895 |
| 2 | Ford Fiesta | 143,710 |
| 3 | Ford Sierra | 113,860 |
| 4 | Vauxhall Cavalier | 113,475 |
| 5 | Austin/MG Metro | 109,350 |
| 6 | Vauxhall Astra | 80,070 |
| 7 | Austin/MG Montego | 62,660 |
| 8 | Ford Orion | 55,255 |
| 9 | Austin/MG Maestro | 51,465 |
| 10 | Vauxhall Nova | 48,465 |

*Source: SMMT*


# Wembley fleet show growing

THE growing importance attached to professional fleet management can be gauged by the growth in popularity of the Fleet Motor Show at Wembley, which runs this year from March 10 to 12.

Now in its fifth year, the show fills not only Wembley's new exhibition hall but also takes in the rest of the Wembley complex. It will have a ride and drive test area plus a series of vehicle management seminars.

The major car and van manufacturers now exhibit their complete range of fleet vehicles, and a comprehensive range of support services is also on offer: contract hire, leasing, finance, breakdown recovery, mobile communications, tyre distributors, computer control systems and auction groups.

More than 5,000 fleet buyers are expected to attend, representing a huge volume of vehicle sales made both at the show and during the year.

Mike Wells, managing director of the organisers, EMAP MacLaren Exhibitions, says: "The manufacturers like it because it does not purport to be just another motor show."

Tickets and inquiries: from EMAP at Token House, 79-81 High Street, Croydon CR9 3SS (tel: 01-686 9200).

Trevor Humphries

Brian Mahony (left) with Keith Terry, used vehicle sales manager, and Richard Harper, group marketing director

Profile: Kenning Leaseline

# Tailored exactly to need

MORE AND more commercial and industrial companies are putting their transport needs out to tender. *Often the dilemma* is between fleet management, in which the day-to-day control of running costs is maintained elsewhere while they re*tain ownership of* the vehicles, or non-owning contract hire at fixed rates.

Brian Mahony, operations director of Kenning Leaseline, an amalgam of Wadham Stringer and the Kenning Motor Group's interests since last June, says: "No one decides *this lightly*; too much is involved to do that."

The answer, says this former Ford and Austin Rover *sales* executive, depends on the particular needs of the company. Once these are established, a deal can be tailored precisely to what is needed.

"The position is that one in three of all company cars—about a million in total—are leased or run under a contract *hire agreement. As well as the* advantage of not tying up capital as outright purchase does, contract hire gives off-balance sheet financing."

But what about the appeal of fleet management? Customers often feel they don't want to *miss out on the discounts* available on buying new cars, especially in bulk purchases. Also they note with keen interest the buoyant prices in secondhand car *disposals*. With contract hire *they feel* they would miss out on both.

Mr Mahony says: "These are *very fair points. They explain* why fleet management has grown by more than 30 per cent over the past year. Many companies, especially the larger ones, like to keep control of their cars while farming out the day-to-day running control.

"I see fleet management as a transitional stage between ordinary ownership and full contract hire. Fleet management lets customers put their toes in the water to test the temperature."

Today's fleet management arrangements are tomorrow's contract hire deals, he believes.

The buying clout of the consultant companies hinges to a large extent on the new car franchises held by associated *groups, for the best prices, but* such is the competition in both contract hire and fleet management that every effort is made to give a good deal for any make of car.

Mr Mahony attaches great importance to the personal factor in fleet control. As a driver's guide issued by Kenning Leaseline stresses: "Care from the start is a fundamental investment in a well-maintained car which will, eventually, yield the best disposal price."

So the trend is to encourage the best response from drivers who are made aware of the keen watch which is kept on the running costs of the cars they use.

This is where computer-run *fuel consumption checks* come in. The practice of checking individual cars regularly to compare consumption with the norm in similar operating con*ditions is a key factor in* fleet management control.

The Wadham Kenning Motors group has some 60 outlets countrywide covering 20 motor franchises. This is the backup for Kenning Leaseline which specialises in vehicle leasing, *outright purchase, sale and* leaseback, fleet management, contract hire and a wide variety of support programmes.

Relief or temporary vehicles are arranged through Kenning Car Rental and other major operators. Kenning Leaseline recommends BP Supercharge as its fuel card source since the *system has more than 9,000 fuel* outlets in the UK.

Everything in Kenning Leaseline is geared to bringing a healthy return, by using Wadham Kenning's national network for fleet disposals, for example. A high proportion of secondhand sales are made directly to retail buyers. Auctions are also used at the most advantageous times.

In the final reckoning the provision of helpful staff is regarded as an essential element, in Kenning Leaseline's *approach to* the business. No one dares to leave that out.

**Geoffrey Hancock**

Profile: Avis Car Leasing

# Growing by 20 per cent a year

THE USE of a vehicle, and not necessarily its ownership, is the key to a company's successful fleet management, says Mr John Yarroll, general manager of Avis Car Leasing. And it is this philosophy which has helped his organisation grow from one that managed 314 vehicles for *customers in 1974 to currently* more than 20,000.

Since 1982, when Mr Yarroll moved to Avis from Hertz, Avis Car Leasing's business has grown annually by 20 per cent. Today the organisation forms a major proportion of the Avis group's total business.

Avis Car Leasing was a joint venture between Avis and Forward Trust, *Midland Bank's* finance house, after the two groups discovered a common interest in the market for vehicle leasing, contract hire and fleet management.

"It's a relationship that has work exceedingly well," Mr Yarroll says. Avis, through its worldwide Rentacar division and leasing experience in other countries, and Forward Trust with its experience in providing fixed asset finance to commerce and industry, made an ideal combination.

*The packages offered by Avis* Car Leasing since it entered the market have undergone a number of changes. Fleet management was introduced, for example, in 1982 although the company has continued to major on full service contract hire.

Finance lease contracts are also now comparatively few in number. "They have been steadily reducing over the years and, with the implementation of Standard Statement of Accounting Practice this year, most of our customers have switched to contract hire," Mr Yarroll adds.

To cope with the increase in business, Avis Car Leasing has expanded its advanced compu*ter system which has been* developed completely in-house.

One of its major uses is as an automated system for calculating sale and lease-back transactions, Mr Yarroll explains: "The computer provides an almost immediate response, providing prospective lessees with the full range of contract *hire benefits. This avoids the* normal run-out period as they convert from ownership to contract hire."

The computer also monitors vehicle deliveries, keeps track of models, and stores delivery addresses and dates. Computer-driven vehicle invoicing, says Mr Yarroll, offers flexible billing cycles from paying in monthly instalments to paying the total contract price in advance.

*The computer system* is also used to monitor and control the maintenance of both the owned and managed fleets.

All the organisation's maintenance controllers are time-served apprentices who have subsequently qualified as members of the Institute of Mechanical Engineers. "They are able to talk with absolute authority to the network of 3,500 franchised repairers," said Mr Yarroll.

This expertise also extends to obtaining repairs under a vehicle's warranty. "This does not die entirely at the end of a year. We are able to identify what may be a fundamental fault and it is by no means unusual for us to claim successfully on warranty for vehicles up to three years old."

The Avis computer, in addition to serving as a useful customer base, handles the organisation's general ledgers and management accounting functions.

This year Avis Car Leasing announced *what it described as* a "re-launch," and will be introducing three new services.

One of the new facilities is Avis Assistance, a computer-controlled 24—hour breakdown service available to all Avis customers and closely allied with the maintenance programme.

Mr Ross Durkin, marketing development manager, says the aim of the service, which is able to pinpoint the area of a breakdown and the nearest recovery agency, is to repair or send a recovery vehicle to a stranded car within an hour at any time of the day or night. At present, Avis Assistance claims to get going again 80 per cent of cars broken down at the roadside "because we can send a franchised repairer to the scene" explains Mr Durkin.

Another scheme, Avis Econolease, offers customers the opportunity to lease a low mileage car instead of brand new.

Econolease cars, which all have fewer than 10,000 miles on the clock, offer considerable savings to lessees. For example, the monthly rental on a new Ford Fiesta Popular Plus (based on two years and 40,000 miles) would be £174 while on a similar Econolease car the rental would be £129.

Avis Insurance Services is intended as a logical extension to Avis Assistance as well as providing customers with insurance cover.

**David Albino**

Maurice Smith (left) operations manager, and Chris Gilbert, sales and marketing manager

Profile: Lex Vehicle Leasing

# Strength of purchasing power

LEX VEHICLE LEASING is the largest contract hire company in the UK. It has been in contract hire for 20 years and since 1981 has built up its fleet total from 3,800 to almost 20,000. Last year it bought 9,850 new cars and maintains that its purchasing power gives it considerable clout in obtaining favourable discounts.

*LVL's* net profits for 1986 exceeded £2.8m and turnover topped £48m. This compares with profits of £2.7m and turnover of £38m for the previous year.

*LVL is jointly owned by* Lex Services Plc and Lombard North Central, a subsidiary of the National Westminster Bank. Since 1981 is has sustained an annual growth rate of 40 per cent. This has been achieved within the context of a 17 per cent growth rate for the contract hire industry as a whole.

Mr Stephen Dixon, managing director of LVL, expects a slowing down of the national growth rate to 9 per cent, with this figure remaining constant for the foreseeable future. Nevertheless, it is his view that contract hire, still in its infancy in the UK, has tremendous potential for expansion. He points to the fact that 50 per cent of company *cars in the US are run on a* contract hire basis. The UK, he says, is lagging behind.

LVL says it has seen contract hire grow at the expense of both *outright purchase and finance* leasing. Changes in accounting procedures have meant that finance leasing—which must now appear on company balance sheets—has lost much of its appeal. Contract hire, which need not be shown among borrowings, has gained.

This, says LVL, has been responsible for a shift from the former option to the *latter*.

The chief practical advantage to contract hire, argues LVL, is that it represents worry-free motoring for the end-user. With contract hire, one fixed monthly payment covers all expenses, with the exception of petrol and insurance. This enables companies to predict accurately their vehicle costs.

*LVL stresses that its services* are flexible and can be tailored to companies' individual needs. For example, a firm might sell its fleet to the contract hire company, thus obtaining an immediate injection of capital, and then hire the vehicles back, using LVL's sale and hire back programme.

The company maintains that its involvement in market research keeps it in close touch with the changing needs of the market. A recent study of the van hire market, conducted by Makrotest for LVL, confirmed a significant anomaly.

Only 5 per cent of company vans are contract hired, compared with 18 per cent of cars and 20 per cent of heavy commercial vehicles. A new subsidiary company was set up last November to exploit the opportunity this represents.

Lex Van Contracts is described by its parent company *as the only specialist van* contract hire firm in the UK. LVL says that vans tend to fall between two stools in the perceptions of industry. Being neither cars nor trucks, even contract hire companies themselves have been liable to miscalculate the particular expenses involved in running van fleets.

For example, vans are more durable than cars but require less storage space than trucks.

LVC aims to use the company's existing management expertise to help customers avoid common pitfalls such as running more vans than they require, thus making van contract hire an increasingly attractive alternative to ownership.

In the two months since the company launch, LVC has already seen the benefit of a spill-over effect from LVL, with the two companies complementing one another.

Last month LVL expanded its coverage of the UK by opening a new regional office in Coventry, mid-way between its offices in Bristol, Sterling and Newcastle and its larger bases in London *and Manchester. In May it is* due to open a new service centre in Ruislip which will operate alongside its Manchester workshops, carrying out pre-delivery inspections, servicing and maintaining the company's loan fleet—a back-up force of 450 vehicles.

British badges such as Austin-Rover, Ford and Vauxhall still represent 85 per cent of LVL's fleet. Despite their success in the private car sector, Japanese models account for less than two per cent of LVL's vehicles.

Among luxury cars, it has equal numbers of Jaguars and Mercedes, with BMW accounting for the lion's share. The fleet is broad-ranging with the Sierra and the Cavalier see-sawing as *the most popular models.*

A couple of years ago LVL could boast that it offered a spectrum that stretched from the Reliant Robin to Rolls-Royce. The Rolls remains but the Reliant has gone, *its place* taken by BMW 20 motorcycles on contract hire to the BBC. LVL believes it is unique in offering motorcycles for contract hire. By the end of the year a new venture may be under way. The firm has been looking at the possibility of applying its knowhow in contract hire to a completely different industry—computers.

**Alexandra Buxton**


Stephen Dixon: believes there is tremendous potential for expansion

David Scaife (left) and Roy Foster at the Manchester operations centre. *Mike Arron*

Profile: Gelco International

# Big expansion in demand

*MR ROY FOSTER, managing* director of Gelco International, describes the British market for vehicle fleet management as very buoyant. Gelco, he says, has experienced a big growth in demand for its services in the past four to five years.

The recession caused companies to take a hard look at their costs and many had opted to contract out specialised management services as a way of reducing their fixed costs and improving the profit margins on their products.

A growing number of companies now regard non-core activties such as fleet management as the precinct of outside specialists who can operate with greater cost effectiveness. Where staff numbers had been pared down, outside services are also seen to shoulder an administrative burden which *would otherwise take up a disproportionate amount of management time.*

Gelco is a subsidiary of the Minneapolis-based Gelco Corporation, one of the world's two largest fleet management companies. It has been in the UK for 14 years. From its Manchester headquarters, it has picked up an expanding list of large customers including NCR, IBM, Ladbrokes, Trust House Forte and Thorn EMI.

Its customers range from companies running a handful of vehicles right through to those with fleets several thousand strong. At present it manages or leases a total of 30,000 vehicles and employs 150 people.

The company maintains that one of its chief strengths lies in the breadth of services it offers its customers. These cover the full range of financing and man*agement options, from contract* hire and lease-back to fleet management with the customer maintaining full ownership.

Mr David Scaife, the company's marketing director, says this ensures that his salesforce listens to the customer's needs and offers an appropriate service. The ability to offer a wide range of services is considered increasingly important in an aggressive market place.

Gelco estimates a current growth rate of between 15 and 23 per cent in the contract hire market as a whole. It is seeing a particularly marked growth in demand for contract hire from companies with smaller fleets.

A purchase and lease-back arrangement has become increasingly popular for business with medium-sized fleets of between 20 and 75 vehicles. Users see this option as saving both money and administrative headaches. Gelco says it has sewn up several millions of pounds in lease-back over the past year.

The company is seeing growing demand for more sophistication in fleet management services. While the primary reasons for using an outside specialist are financial, customers were asking for much more in terms of information.

One of Gelco's responses has been to develop a refined reporting system called GelcoLink. Monthly data, down-loaded from a mainframe computer on to floppy disc, gave the customer quick and easy access to a detailed breakdown of costs, enabling comparisions to be made.

For example, a company could compare vehicle running costs between different divisions or compare the performance of different makes of vehicles.

Recent sizeable increases in motor insurance premiums—21 per cent in 1985 and 20 per cent in 1986—led Gelco to look at the source of the problem, the national accident rate, and this month it announced the launch *of a new service. This is seen as* a natural adjunct to the accident claims management programme it has been running for three years.

The new preventative programme offers a one-day Institute of Advanced Motoring course, with briefing in planned and defensive driving, to every driver in a fleet.

Gelco is also offering tapes, running through IAM driving procedures, as an extra. IAM courses have an impressive track record, says Gelco. One 43-strong fleet cut its accident costs from £15,000 to £2,000 in three years by giving its employees basic IAM training. Apart from the obvious financial considerations, training is also regarded as an intergral part of employee welfare.

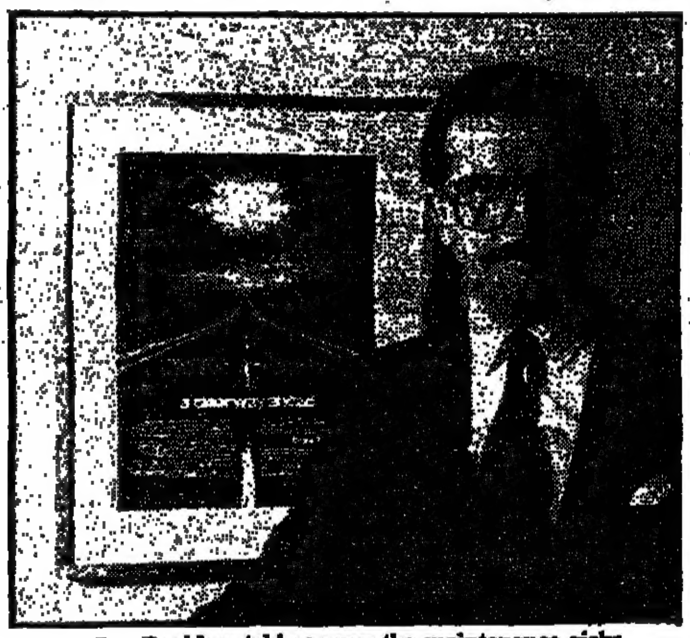
As employers make increasing use of the car as a high-status perk to attract top calibre staff, Gelco is experiencing an upturn in demand for the better quality fleet vehicles. This means a move from 1600L models to 1600GLs and two litre vehicles. Fleet cars divide into two broad categories—the essential vehicle and the compensation car.

It is the second group which is increasing most rapidly, says Mr Foster. Similarly, Gelco's purchase of non-British badges—such as Audi, BMW and Volkswagen—have risen by 16 per cent over the past three years, as firms allow their employees to choose outside the British list.

High-tech industries and companies offering financial services were taking a lead in this trend.

The growth in car phones and communication systems for fleet cars has begun, but Gelco expects a rapid acceleration in demand for these accessories in the coming year. It has chosen to install Unicare's car phones in its vehicles, after looking for the company which offered the best billing and monitoring package.

**Alexandra Buxton**



Ian Buckley: taking away the maintenance risks.

Profile: Evans Halshaw Contracts

# Service to the small user

MUSCLE POWER, or clout—*whatever the name given to the* strong presence needed to sustain contract hire and fleet management services for demanding business users—it is not a role for the faint-hearted.

Midlands-based Evans Halshaw Contracts, part of motor retailer, the Evans Halshaw group, has achieved a 50 per cent increase in contract hire and fleet management deals in the past year and has recently introduced a Gold Card scheme which extends transport programming to professional and small business users, largely ignored hitherto by the contract hire industry.

"VAT on rentals has always been an obstacle to the private buyer and the zero rated company. Lower mileage users do not like the apparent rigidity and a large number prefer to part exchange their vehicle when they wanted to change," Mr Ian Buckley, managing director of Evans Halshaw Contracts, explains.

"The professionals, such as the accountant, architect, doctor and dentist, now have the chance to have their vehicle management, service and maintenance risks taken away while retaining the flexibility of ownership."

Each gold card quotation includes the price of the new car bought from an Evans Halshaw source, whether the buying is outright, by hire purchase, bank loan, or overdraft, with monthly extra cover as a safeguard against charges for servicing, repairs and replacements over a two or three year period.

Tyres, brake re-lines, exhausts and batteries are all, covered for an agreed mileage. Once that mileage is reached the costs then become the owners' responsibility until they wish to change the vehicles.

The Gold Card cover charge, added for two or three years, ranges from around £18 a month for a popular hatchback of modest size and power to £50 or more a month for a luxury car in the executive class.

Whether the Evans Halshaw contract hire, fleet management or gold card programming is involved, in-house offerings cover Austin Rover, Jaguar Daimler, Rolls-Royce, Land Rover and Range Rover from dealerships in and around Birmingham, Ford dealerships in the East Midlands, the North and Newport, in Wales, plus Vauxhall franchises spread around Sussex.

*Fleet management* needs are also covered. David Wallace, Evans Halshaw's sales executive on the fleet management side, believes this service appeals in the main to fleet operators with anything from 20 vehicles upwards and who have decided, for one reason or another, that they want to own their own vehicles.

He explains: "Fleet management derives its income from the fees charged for each of the services provided and they will vary from, say, £5 to £15 per vehicle per month, depending on the precise nature of the services given."

Discounts obtained as a result of the group's purchasing power are shared with customers.

The company's system of control over maintenance/servicing expenditure, before the event, can also result in savings. "Our knowledge and experience in used vehicle marketing can result in customers getting higher prices than they would have obtained themselves," Mr Wallace claims.

**Geoffrey Hancock**

Profile: Autolease

# Profits in residual values

THE AUTOLEASE headquarters is in a office block which is easily missed on one of Birmingham's radial highways, the main A45 where cars and lorries hurry past to the burgeoning international airport, National Exhibition Centre and Coventry.

The block also houses the headquarters of its parent company, BSG International, the £350m a year industrial conglomerate whose interests range from the Bristol Street Motors Ford, Austin Rover, Vauxhall and Peugeot franchises, through Britax seat belts and accessories, to interests in car accessory makers overseas and vehicle leasing and fleet management.

Autolease was set up in 1959 to sell leasing when leasing was in its infancy and very different from today.

Deputy managing director Mr Trevor Jones recalls that the company started in the same year as the M1 motorway opened, heralding in an era of easy communications, and the start of a major move from rail towards road transport. That year the most popular salesman's car was the Ford Escort.

The early start makes Autolease one of the oldest organisations of its kind in Britain.

That, Mr Jones says, does not make getting business any easier in a cut-throat world where even the smallest of motor dealers is looking at leasing and contract hire as a way of squeezing extra income out of his business.

But, he says, it does help, especially when it comes to fighting for low prices, finance, and fleets scattered across the country.

Mr Jones's company accounts are buried in the BSG International balance sheet but he ranks Autolease among the top half dozen companies with a fleet of 12,000 cars and light commercials.

There is a lot at stake in a car, where even detail differences in specification can fine tune different staff grades in a company. "People think more of their cars than their wives," Mr Jones says, and means it, drawing on 21 years in the business.

In this area the big fleet operators have become important to the manufacturers. And Autolease, like other groups apparently tied to the models in the parent company franchises, can and does deal in other marques. "We have to, because of the emotional importance of a car to many people."

But while specification and price are important at the start of a contract, the profits or losses come from guessing the residual value in four years' time. "It's a game which sorts out the men from the boys," he says.

The most popular lease is the "balloon," where an agreed proportion of the capital cost is held back to be paid at the end of the contract. But that means guessing what is going to happen to prices in two to four years' time.

Maintenance costs are also down to informed guesswork though this is now helped by longer service intervals. The more complex technology of modern cars is a drawback—more complexity means higher service costs when it goes wrong.

Small contract hire operators can offer cheaper deals and, Mr Jones reckons, that could mean a difference of up to £40 a month. But their level of service depends on how they treat breakdowns and replacements.

Large operators like Autolease with its three regional offices have hundreds of garages all over the country to help stranded clients after a distress call.

Many small companies farm that out to the AA or the RAC, letting the customer take his chance along with the millions of other members of those organisations.

The cost of finance also depends on the strength of the leasing company.

Small organisations find it difficult to negotiate the lowest rates, he says, while Autolease is able to use the rating of BSG International with money-raising, either directly through the group or through outside sources.

He has 120 staff to administer the fleet, with up to 500 disposals a month and all the service and breakdown calls to deal with.

Mr Jones agrees with industry statistics which show that the majority of fleets, up to 70 per cent, are still owned and managed in-house.

That is where the market derives its 15 per cent annual growth rate as companies look hard at their costs and decide to change.

One of the biggest feathers in his cap came when British Alcan decided to move its 1,000-vehicle fleet to contract hire, but that took years of negotiation.

The company also offers other leasing and sale-leaseback systems, for those who want them.

Fleet management is also on offer, a videotex-based system tied into a central computer so fleet owners can have a cost breakdown and control system which, for example, identifies leaden-footed drivers.

Mr Jones says: "Companies are looking hard at how they manage their fleets and realising the costs of having that department. To say nothing of the capital tied up in buying the fleet in the first place.

"What tax advantages there were to encourage contract hire have been removed, and nowadays it is down to simple cash flow.

"There's a lot of guessing on vehicle fleet costs, and many companies cannot tell exactly what their fleets cost. Contract hire pins the cost down and makes it easier to manage."

Services like vehicle fleet management are an important tool in the marketing locker. But the biggest part of the market is the customer who hands over the fleet management lock, stock and barrel, and Mr Jones sees no end in sight to that customer.

**Graham Sidwell**